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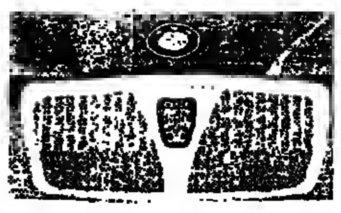

BMW and Rover

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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY FEBRUARY 1 1994 D8523A

Fiat faces record L1,800bn loss, but forecasts recovery

Fiat, the vehicle and industrial group, issued preliminary figures for 1993 pointing to one of the biggest annual losses in Italian corporate history. The company is set to report a net loss of about L1,800bn ($1.06bn) when full figures are released in May. However, Gianni Agnelli, chairman, forecast that the group would break even in the current year. Page 19

End killings of Inkatha, says Mandela

African National Congress leader Nelson Mandela (left) urged his followers to stop killing members of the Zulu-based *Inkatha* Freedom party, as negotiators from the two parties met for further talks aimed at averting serious ethnic conflict. The rightwing freedom alliance and the ANC said they would today consider their negotiating positions in a final attempt to amend the 1993 constitution to accommodate rightwing demands for regional autonomy. Page 4

Mirror pensioners get $48m settlement: The Mirror Group Pension Scheme Trustees have received £32m ($48m) from three securities houses in an out-of-court settlement to their legal dispute over assets lost during the Maxwell scandal. Page 18

Polish shares dip after sacking: Share prices fell sharply on the Warsaw stock exchange as investors reacted to the dismissal of the minister in charge of privatising the banks. Page 18

Sinn Féin president to press his case: Sinn Féin president Gerry Adams will today turn his back on the furious row which has erupted over his visit to the US and launch a concerted, 48-hour campaign to press home the Republican case for a political solution in Northern Ireland. Page 10; Joe Rogaly, Page 16

MasterCard International, second-largest US credit card association, appointed former top Midland Bank executive Eugene Lockhart as its new chief executive, just seven days after his predecessor unexpectedly resigned. Page 19

Lawson backed for OECD: The British government is backing Lord Lawson, the former chancellor, to be the next secretary-general of the Paris-based Organisation for Economic Co-operation and Development. Page 10

Crimeans vote to rejoin Russia: Yuri Meshkov became Crimea's president-elect after winning a landslide victory on a platform of re-integrating his republic into Russia. Page 3

SPD urges fresh wage talks: Leaders of the German opposition Social Democrats appealed for wage negotiations to resume as thousands of engineering workers across the country held protest strikes over pay increases. Page 3

Somali deaths as US troops open fire: At least five Somalis were reported killed and others wounded when US marines opened fire on gunmen who ambushed a convoy of US diplomatic cars in Mogadishu, a US official said. Page 6

Italian bank executives arrested: Milan magistrates issued arrest warrants for the top management of Cariplo, Italy's largest savings bank and one of the country's leading financial institutions, on charges of corruption. Page 2

UK spending rise predicted: Consumer spending in the UK is expected to increase by 17 per cent in real terms over the next five years, market research organisation Mintel says. Page 10

Israeli health move deepens rifts: A special session of Israel's cabinet approved a controversial health insurance proposal, deepening rifts in a fragile coalition government. Page 4

Bolivia plans far-reaching privatisation: Bolivia's new government authorised the transfer of six state companies to private investors and to Bolivia's 3.2m people, in a scheme inspired by eastern Europe's mass sell-offs. Page 6

Fire wrecks Barcelona opera house: Barcelona's famed Liceo theatre, one of the world's largest opera houses, was destroyed by fire, its director Josep Caminal said. The 19th century hall was declared a total wreck.

French novelist Pierre Boulle dies: French novelist Pierre Boulle, whose novels *Bridge on the River Kwai* and *Planet of the Apes* were turned into screen blockbusters, has died aged 81, his publisher said.

■ STOCK MARKET INDICES

FT-SE 100	3,491.8	(+44.4)
Yield	3.37	
FT-SE Eurotrack 100	1,540.19	(+29.57)
FT-SE-A All-Share	1,745.95	(+1.1%)
Nikkei	20,229.12	(+1471.24)
New York lunchtime:		
Dow Jones Ind Ave	3,982.30	(+36.87)
S&P Composite	482.36	(+3.66)

■ US LUNCHTIME RATES

Federal Funds	3¼%
3-mo Treas Bills: Yld	3.023%
Long Bond	100⅜
Yield	6.19%

■ LONDON MONEY

3-mo Interbank	5⅛%	(same)
Liffe long gilt future	Mar 119⅜	(Mar 118[illegible])

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$14.145	(14.13)

■ Gold

New York Comex (Feb)	$381.2	(376.9)
London	$378.25	(375.4)

■ STERLING

New York lunchtime:		
$	1.502	
London		
$	1.4989	(1.5035)
DM	2.6145	(2.5971)
FFr	8.8729	(8.8297)
SFr	2.1981	(2.193)
Y	163.382	(164.073)
£ Index	82.5	(82.4)

■ DOLLAR

New York lunchtime		
DM	1.73745	
FFr	5.896	
SFr	1.461	
Y	108.695	
London		
DM	1.7444	(1.7273)
FFr	5.9198	(5.879)
SFr	1.4665	(1.4585)
Y	109.005	(109.12)
$ Index	67.1	(66.8)
Tokyo close Y 109.55		

Austria	[illegible]	Greece	[illegible]	Lux	[illegible]	Qatar	QR13.00
Bahrain	[illegible]	Hong Kong	[illegible]	Malta	[illegible]	S.Arabia	SR11
Belgium	[illegible]	Hungary	[illegible]	Morocco	[illegible]	Singapore	[illegible]
Bulgaria	[illegible]	Iceland	[illegible]	Neth	[illegible]	Slovak Rep	[illegible]
Cyprus	[illegible]	India	[illegible]	Nigeria	[illegible]	South Africa	[illegible]
Czech Rp	[illegible]	Israel	[illegible]	Norway	[illegible]	Spain	[illegible]
Denmark	[illegible]	Italy	[illegible]	Oman	[illegible]	Sweden	[illegible]
Egypt	[illegible]	Japan	[illegible]	Pakistan	[illegible]	Swtz	[illegible]
Finland	[illegible]	Jordan	[illegible]	Philippines	[illegible]	Syria	[illegible]
France	[illegible]	Kuwait	[illegible]	Poland	[illegible]	Tunisia	[illegible]
Germany	[illegible]	Lebanon	[illegible]	Portugal	[illegible]	Turkey	[illegible]
						UAE	[illegible]

Surprise takeover of last UK volume carmaker is blow to 20 per cent shareholder Honda

BMW buys Rover for £800m from British Aerospace

By John Griffiths in London

Britain's last volume carmaker yesterday passed into foreign control when BMW of Germany acquired Rover from British Aerospace, the aircraft and defence group, which is selling its 80 per cent holding in the British company for £800m ($1.2bn).

The deal, which will create a group producing more than 1m cars a year with 100,000 employees worldwide, took the world motor industry by surprise. It is a humiliating blow to Honda, the Japanese motor manufacturer which holds a 20 per cent stake in Rover but was told of the bid talks only on Friday.

The takeover is the latest in a series of shake-ups over the past few years which have fundamentally reshaped the world motor industry.

The deal, arrived at just 10 days after BMW made its formal offer in secret, was greeted with dismay by Honda, Rover's partner for 14 years. "Now our partner has been acquired by a competitor we must start to reassess our entire operations in Europe," Honda said in Tokyo.

The end of British-owned volume car production also provoked a sharp reaction from British members of Parliament who claimed it showed Rover had been sold too cheaply on its privatisation six years ago. BAe paid £150m for the whole of Rover group, and has since sold parts of it, including property and its share of Daf Trucks.

BMW's chairman, Mr Bernd Pischetsrieder, said in London that jobs at Rover would be safeguarded, provided volume went up, and also that some defunct Rover marques, such as Riley and Austin Healey, might be resurrected.

BAe said yesterday it was first approached by BMW in October. BMW also approached Honda, but met with no response. On January 19, BMW held an extraordinary meeting of the supervisory board – the first in its history – and agreed an offer to BAe. BMW executives said yesterday the decision was the most important taken by the board since the company's formation. The formal offer was delivered a week later, on January 26.

The BAe board met last Thursday and took less than five hours to accept the deal. By lunchtime it was decided that Rover chairman Mr George Simpson should fly immediately to Tokyo to inform Honda. On Saturday Honda responded by offering to raise its stake in Rover to 47.5 per cent, but was rebuffed. Honda has consistently opposed taking a majority stake in Rover, initially because of political sensitivity, arguing that the British car maker should remain independent.

Mr Simpson said yesterday "Honda's position has always been that it did not want to own Rover. BAe wanted to exit, so the position of the two was such that we had to find another way."

Mr Dick Evans, BAe's chief executive, said "the deal gives us the opportunity to focus on the strategy the board undertook two and a half years ago, to concentrate the business on defence and aerospace."

He rejected claims that Rover had made a large profit on the deal. "It's totally unreasonable to draw a direct comparison between the £150m and the £800m", he said. "Our total investment is many, many times £150m." Rover had invested up to £250m a year in its new model programme, he added.

In 1993 Rover made a pre-tax loss of £9m on sales of £4.3bn. Its net assets were £1.4bn.

Rover's revival has been based on Honda technology and working practices.

Asked yesterday what would happen if Honda pulled out, Mr Simpson said "it depends how fast it happens. It would clearly be in everybody's interest if it

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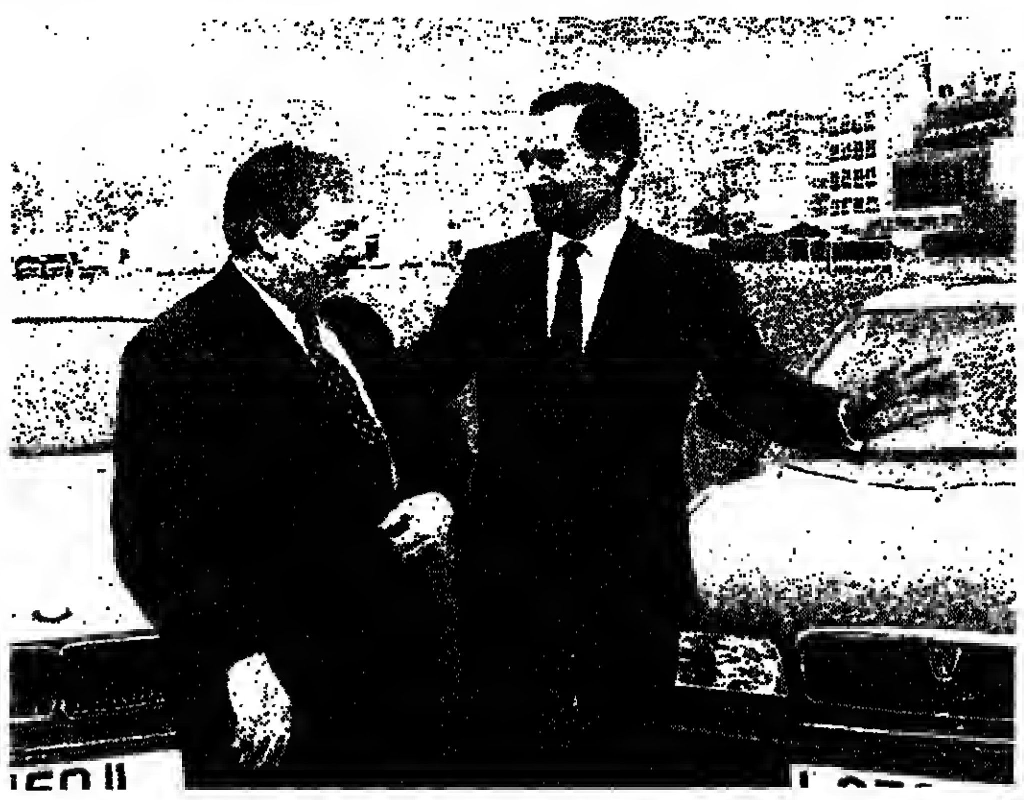

Trevor Humphries

Dick Evans, chief executive of BAe (left), which is selling Rover to concentrate on its aerospace and defence businesses, and Bernd Pischetsrieder, chairman of BMW, which is acquiring the UK carmaker

Europe's bourses set records

By John Pitt in London

European equity markets yesterday swept to record closing highs after an active day's trading.

Bullish sentiment was helped by a combination of factors: resolution of the political crisis in Tokyo; good inflation data from the US on Friday; an agreement restricting world aluminium production; and strength in car stocks after the BMW-Rover deal.

Records were set in the UK with the FT-SE 100 index of leading companies rising 1.3 per cent, to finish up 44.4 at 3,491.8; in France, where the CAC-40 index added 1 per cent, in Switzerland, the SMI index setting its fifth consecutive high, and in Holland, Italy, Spain and Stockholm. Only Germany failed to outstrip its previous best, although the Dax index gained 2 per cent.

With hopes raised for a cut in European interest rates – most analysts are looking for a move this month – *further gains are expected this week.*

However, the fear of rising inflation in the US is keeping the longer-term picture more restrained. One strategist in London commented yesterday that he was advising clients to take profits now and to put money into cash. "The question is when will this recent flood of liquidity, mainly from the US, stop and allow the European markets an opportunity to pause for breath," he said.

London stock exchange, Page 29
World stock markets, Page 40

Japanese market lifted by reform deal

By Emiko Terazono and William Dawkins in Tokyo

The Tokyo stock market yesterday posted its third largest daily rise as investor confidence was boosted by parliamentary agreement on political reform.

The weekend compromise reached by Mr Morihiro Hosokawa, prime minister, with the opposition Liberal Democratic party on changes to the country's scandal-prone electoral system will enable him to concentrate on stimulating the economy, including a much-awaited income tax cut. The Nikkei average soared 1,471.24 points, or 7.8 per cent, to 20,229.12, rising above 20,000 for the first time in three months.

The parliamentary passage of the reform bills before Mr Hosokawa's meeting with US president Bill Clinton next week will give the Japanese prime minister room to take a political initiative on trade.

But no sooner was the weekend's accord on political reform completed than Japan's seven-party coalition was plunged into an internal row on economic policy.

Mr Hirohisa Fujii, finance minister, yesterday hit back sharply against a suggestion by Mr Masayoshi Takemura, chief cabinet secretary, that the government should cut income taxes in its next economic stimulus package, expected on Thursday, but defer a decision on a rise in sales taxes. The government hopes to make an income tax cut the centrepiece of the package.

Mr Fujii said Mr Takemura's remark made it hard for him to fulfil his responsibilities and complained to Mr Hosokawa. The

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Greenspan says US interest rates will rise

By Michael Prowse in Washington

Mr Alan Greenspan, the Federal Reserve chairman, yesterday served notice that short-term US interest rates will be raised – but he gave no indication of when the Fed would begin to tighten policy or by how much.

"Short-term rates are currently abnormally low in real terms. At some point, absent an unexpected and prolonged weakening of economic activity, we will need to move them to a more neutral stance," he told members of the Joint Economic Committee of Congress.

Mr Greenspan delivered some of his most upbeat congressional testimony since assuming the Fed chairmanship in 1987. He said the economic recovery, although still uneven, was now firmly established. With business investment rising strongly and inflationary pressures apparently still subdued, the long-term economic outlook was the best that he had seen in two or three decades.

He spoke after the release of figures showing strong gains in personal income and consumption in December. On Wall Street, the Dow Jones Industrial Average rose strongly in early trading, gaining 35 points to 3,980.89 by early afternoon.

Mr Greenspan said Fed governors and regional presidents meeting this week in Washington would discuss "the appropriate time to move to a somewhat less accommodative level of short-term interest rates." The question was "how long we can continue monetary accommodation without sowing the seeds of another bout of inflationary instability, accompanied by steeply rising long-term rates."

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Tension in Bosnia increases as Serbs prepare to mobilise

By Gillian Tett and agencies

Fears that the war in Bosnia will escalate were fuelled yesterday after Bosnian Serb leaders announced a full military mobilisation and Mr Vladimir Zhirinovsky, the nationalist Russian leader, encouraged the Serbs to ignore western threats of air strikes.

The army high command in the Serb-held region of Bosnia declared it was mobilising all the republic's available resources "that would lead to a successful end of the war".

All able-bodied citizens would be drafted and the economy placed on a war footing, the army command said.

Coming amid evidence that the Croat forces in the area have recently been bolstered by up to 12,000 Croatian regular troops, and signs that the peace talks are effectively stalled, the declaration has prompted concern that both the Croats and Serbs are preparing for a final military carve-up of Bosnia.

Mr Francois Léotard, the French defence minister, yesterday warned that the developments pointed to impending all-out war in Bosnia, and made fresh appeals for protective Nato air strikes. Nato leaders indicated earlier this month that air strikes could be used against the Serbs to open the airport at Tuzla or enable a convoy of Dutch troops to replace the Canadian troops currently based in Srebrenica, eastern Bosnia.

However, in a development that threatened to add a new level of tension into Nato's recent threat to use air strikes, the visiting Mr Zhirinovsky warned that Russia would avenge any air strikes carried out against the Serbs. "If a single bomb falls on the towns of Bosnia ....I warn [the western governments] that this means declaring war on Russia," Mr Zhirinovsky said. He was speaking to a crowd of 2,000 in the Serb stronghold of Bijeljina, which he visited as part of a tour of Serb areas.

Nato officials in Brussels yesterday played down Mr Zhirinovsky's melodramatic comments, pointing out that Serb leaders had been issuing similar threats during the course of last year.

Although air strikes were unlikely to occur in the coming days – not least because the United Nations is first committed to attempting a peaceful reconnaissance mission to Tuzla – the alliance remained prepared to use defensive air power, an alliance official said.

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Four top executives at Italian bank arrested

By Robert Graham in Rome

Milan magistrates yesterday issued arrest warrants for the top management of Cariplo, Italy's largest savings bank and one of the country's leading financial institutions, on charges of corruption.

The warrants were for Mr Roberto Mazzotta, chairman, Mr Carlo Polli, deputy chairman, and two senior executives, including the bead of Cariplo's pension fund.

This is the biggest stogle judicial action against the senior management of a large Italian bank since the corruption scandals first broke two years ago.

It also underlines the way in which magistrates are beginning to direct their attention to the activities of financial institutions.

Yesterday's move brings to 13 the number of senior bankers from seven different banks and savings institutions who are under investigntion for various offences ranging from frand and corruption to conspiracy to bankrupt.

The latest charges mainly relate to activities tovolving the sale and purchase of property by the Milan-based Cariplo's pension fund during the period 1985-92. Milan magistrates are reportedly investigating allegations that up to L1bn (£39m) had been paid to the Christian Democrat and Socialist parties in illicit funds camouflaged by phoney property deals.

Mr Mazzotta, 54, is a former Christian Democrat depnty and one-time minister of regional affairs. Mr Polli was a Socialist senator in the outgoing parliament. Both were regarded as political appointees – a reminder that top management in Italy's publicly-owned financial institutions have long owed their appointments to the leaders of the governing political parties.

Yesterday Mr Mazzotta was reported in London. Mr Polli, however, was arrested along with the two other Cariplo executives.

Apart from Cariplo, executives at the following financial institutions are involved in corruption allegations: San Paolo di Torino; Popolare di Novara; Banca Commerciale Italiana; Banca di Roma; Cassa di Venezia; and Carimonte Modena. Turin magistrates are currently investigating allegations that Mr Gianni Zandano, chairman of the powerful San Paolo di Torino, was involved in the fraudulent bankruptcy of the Dominion finance group and doing favours for elements inside the Christian Democrat party.

Balladur gives France a petite push

John Ridding on the prime minister's cautious little prod for the economy

The French economy, according to Mr Gérard Longuet, the minister for trade and industry, is on a razor's edge. "Now it is necessary to give a small push to send us on to the side of growth," he said in a radio interview last week.

On Sunday Mr Edouard Balladur, the prime minister, announced the push. The measures he conjured up to revive the struggling economy were numerous and, in several cases, innovative. Car owners, for example, will be offered FFr5,000 ($842) from the government if they trade in vehicles over 10 years old to buy a new one.

The aim of the measures is to encourage French households to save less and spend more, and to curb an unemployment rate of 12 per cent and rising. But the prime minister's very resourcefulness demonstrated the dilemma his government faces in combining these goals with its commitment to anti-inflationary policies and a target of reducing the budget deficit to FFr300bn this year.

The limited room for manoeuvre forced the government to choose its targets carefully. The motor vehicle and property sectors, worst hit by recession and described by the government as "motors of the economy", were singled out for special treatment.

In addition to the FFr5,000 allowance for potential car-buyers, the government will raise from FFr75,000 to FFr100,000 the annual amount by which companies can write down the value of their cars. The measures apply to all makes, but French manufacturers stand to benefit most as, according to Mr Balladur, three-quarters of company cars are French-made.

In property, the government said it will cut from 6 per cent to 5.25 per cent the rate on deposits paid into savings schemes designed for house purchases. The aim is to encourage individuals to spend, rather than save, such deposits.

Limited room for manoeuvre forced him to pick targets carefully

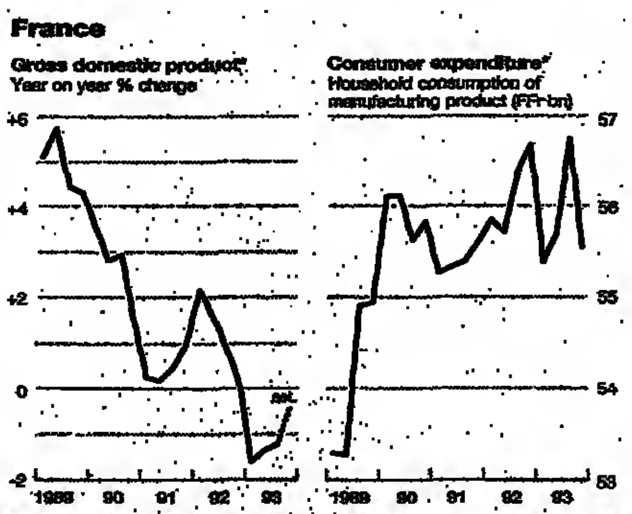
FFr5,000 will not buy a new car, and the cut in returns in property deposits will not spark a run on estate agents. To reinforce the measures, the government said it would ease rules on employee profit-sharing schemes, which represent about FFr80bn. Employees will be able to spend their deposits before the usual five-year limit if they buy cars or spend at least FFr20,000 on property improvements.

The measures aimed at curbing unemployment were also targeted. Mr Balladur said be would accelerate rebates of value added tax to companies if they create jobs or take on more apprentices. The outstanding amount of VAT rebates is estimated at FFr40bn and companies will receive FFr30,000 for each job they create in the first half of this year. The government will also extend from June until the end of the year the availability of state aid of FFr7,000 for each apprentice taken on.

The various measures will provide help to the sectors concerned. The car industry, which saw sales in France fall by 18.3 per cent last year to just 1.72m vehicles, welcomed the measures. "They are strong enough to persuade those hesitating," said Mr Louis Schweitzer, chairman of Renault, who predicted that the effects should show from the beginning of March.

But for the broader economy, the effectiveness of the measures is less clear. "Because the measures are targeted they are also limited," said one economist in Paris. "There are still substantial obstacles to a marked and general upturn in growth," he said, describing the government's forecast of a 1.4 per cent rise in gross domestic product as optimistic.

One such obstacle is the continued rise in unemployment. Mr Balladur claimed progress, pointing out that whereas the number of unemployed rose by 200,000 in the first half of last year, it increased by just 100,000 in the second six months. Figures published yesterday showed a rise of just 4,300 in December, which kept the rate of unemployment stable at about 12 per cent.



Source: Datastream & Goldman Sachs · *1980 constant prices, quarterly figures

But the trend is still upwards, and most economists predict several more months of increasing joblessness until unemployment stabilises. Consumption will continue to be depressed by the threat of unemployment and by the weak purchasing power of the 3.29m people out of work.

In addition, many industrialists believe that interest rates, particularly short-term rates, remain too high. Overnight borrowing costs have been reduced to about 6.4 per cent, but with annual inflation of just 2.1 per cent, real interest rates remain relatively high.

"Economic activity has never revived without low short-term interest rates," said Mr Ernest-Antoine Seillière, vice-chairman of the Patronat, the French employers federation. He called for further cuts in borrowing costs to support the country's fragile recovery.

Monetary policy is now out of the government's hands. But the newly-independent Bank of France, eager to establish its anti-inflationary credentials, has shown little inclination to move quickly on lowering interest rates. According to Mr Jean-François Mercier, economist at Salomon Brothers, the central bank's emphasis on the stability of the French franc and its decision to set only a medium-term target for M3 suggests "a bias towards monetary tightness both in 1994 and 1995".

Such a strategy is consistent with Mr Balladur's own belief in the need to create the conditions for long-term non-inflationary growth. When he reached into his bag of tricks on Sunday, he knew there would be no magic solution to France's economic problems.

NEWS IN BRIEF

Slovenia and Croatia in pact

Slovenia and Croatia, the ex-Yugoslav neighbours at loggerheads over issues ranging from borders to banking, look set to establish normal ties, Reuter reports from Davos. Slovenia's prime minister, Mr Janez Drnovsek, said yesterday: "We will sign a trade agreement next week with Croatia. It seems we will normalise relations."

Mr Drnovsek, in Davos for the World Economic Forum of business and political leaders, had talks last week with his Croatian counterpart, Mr Nikica Valentic, in Ljubljana, the Slovenian capital. These covered a jointly-owned nuclear power station in Slovenian Krsko, a dispute about the operations of Slovenia's biggest bank in the Croatian capital, Zagreb, and disagreements about the common border.

Mr Drnovsek said the border disputes had not been settled and would have to be examined by an inter-state commission. But there were signs of a resolution to the other issues.

RFE targets former Yugoslavia

US-funded Radio Free Europe yesterday started a news service to former Yugoslavia intended to counter what it called ethnic hatred and biased reporting in the state-run local media, Reuter reports from Bonn.

The hour-long daily broadcasts would try to provide balanced news about former Yugoslavia and encourage a public discussion of peace and reconciliation, an RFE spokeswoman said.

Munich-based RFE and its sister station Radio Liberty have broadcast to eastern Europe and the former Soviet Union since the early 1950s but never had a service for the Yugoslav federation.

Bulgaria deal for UK radio group

GWR Group, a big shareholder in Britain's Classic FM radio station, has bought a minority stake in Bulgaria's first independent radio station, company officials said yesterday, Reuter reports from Sofia. Radio FM Plus was the first private radio to be licensed two years ago to compete with Bulgaria's state radio after the collapse of communism in 1989.

Correction

Mr Stefan Kawalec

Mr Stefan Kawalec, recently dismissed as the Polish deputy finance minister, is a non-party financial expert and not a member of the Left Democratic Alliance as stated on Page 2 of the January 31 edition.

Investors' interest wanes in Portugal

By Peter Wise in Lisbon

Direct foreign investment in Portugal fell by 43 per cent to Es112bn (£427m) in the first seven months of last year, compared with the same period the 1992, according to the central bank.

Total foreign investment over the period was Es202bn but disinvestment rose to Es90bn. The financial and real estate sectors attracted 52 per cent of the total. Only 24 per cent went into manufacturing.

Portuguese authorities say they do not fear growing competition from eastern and central Europe for inward investment because Portugal offers the bonus of European Union membership.

But the figures appear to indicate that some potential industrial investors are finding eastern Europe's lower wages and closer proximity to large markets more attractive.

New corporate capital accounted for Es12bn of the total amount invested, capital increases for Es76bn and investment in securities for Es43bn.

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Crimeans vote for Russia

By Jill Barshay, recently in Simferopol, Crimea

Crimea's president-elect Yuri Meshkov greeting supporters — Reuter

Mr Yuri Meshkov yesterday became Crimea's president-elect, after winning a landslide victory on a platform of re-integrating his repnblic into Russia.

In a result that could provoke a direct confrontation between Kiev and ths Bleck Sea peninsula, Mr Meshkov won 73 per cent of the vote in Sunday's run-off presidential election.

Mr Meshkov is promising to press ahead with s March referendum on Crimean independence from Ukraine despite Kiev's threat to "take decisive action" and "use all possible options" against any steps to undermine "Ukraine's territorial integrity".

Russia is maintaining an embarrassed silence on the election results, but the Russian media have been quick to point out that Crimea could be the next in a series of bloody civil wars in the CIS republics.

President Boris Yeltsin has just signed a trilateral agreement with the US guaranteeing Ukraine's current borders, in order to coax its neighbour into relinquishing its nuclear arsenal. But it will be tough for Russia to deny assistance to its former province.

Since Crimea's short-lived declaration of independence in May 1992, Ukrainian leaders have been struggling to keep Crimea content by expanding the region's sphere of political and economic self-rule. However Crimea, 70 per cent populated by ethnic-Russians and part of Russia proper before 1954, has become increasingly dissatisfied with the catastrophic Ukrainian economy, racked by hyperinflation since last summer. Crimeans rejected the *status quo* offered by Mr Meshkov's defeated opponent, Mr Nikolai Bagrov, in favour of uniting with their ethnic kin and historical homeland in hopes of s brighter economic future.

A western diplomat in Crimea for the elections said: "It is not that Russia has won Crimea, but that Ukraine has lost it through economic ineptitude." The vote puts the Kiev government in a vulnerable position, frightened that Crimea's loss will destroy its fragile state. Ukraine's regional divisions run strong from the more Ukrainian, nationalist west to the Russian-oriented industrial east.

Ukraine is also wary about losing its stake in the Crimean-based Black Sea fleet in the dispute between Kiev and Moscow.

While Ukrainian President Leonid Kravcbuk agreed to allow the first Crimean presidential election to proceed, he has also indicated a secessionist referendum would be unconstitutional.

Mr Meshkov has already toned down his rhetoric of Russian unification in an effort to avoid bostilities with Kiev. "No one is talking about separating from Ukraine," he said.

He now advocates a step-by-step re-integration, starting with a gradual re-entry into Russia's rouble zone and establishment of a Crimean central bank.

He insists his proposed referendum for "an independent Crimea in union with other CIS states" is not secessionist. "This is a problem for Ukraine's constitutional court. Kiev's executive branch does not have the right to overrule us."

Western delegation fails to raise loan hopes

IMF in Moscow visit

By Leyla Boulton in Moscow

A mission from tha International Monetary Fund flew into Moscow yesterday amid fsding prospects of quickly unblocking a new $1.5bn loan and of forging s new type of IMF support package for Russia.

Despite announcing that the new government planned to use "non-monetary" methods to fight inflation, Mr Victor Chernomyrdin, the Russian prime minister, has still talked of continuing market reform and of expecting western financial support for his efforts. He was expected, however, to be out of Moscow for most of this week.

"It's very difficult to tell what will happen, whether the delegation will spend most of its time visiting museums or wbether we will find a new language of mntual understanding," said one western official.

Mr Alexander Shokhin, the new economics minister, has called on the IMF to help the government draw up a budget for 1994, and to help it design industrial and social security policies.

The IMF has been berated by Professor Jeffrey Sachs for not providing enough money when the radical reformers he used to advise were still in power. It is now anxious to "show the flag" so that it is not accused of indifference and a lack of understanding of Russian problems. However, it has clearly left its most powerful shareholders – tbe world's seven richest nstions who make up the G7 – to decide whsther it should sbandon demands for progress on Russia's inflation and budget deficits as a condition for financial support.

"What will we give Russia in March if we give the $1.5bn now?" asked a western official, referring to the second tranche of a special loan designed to help countries move from communism to capitalism – which Mr Chernomyrdin wanted to receive this month.

"We seem to have to give Russia money periodically. It's like breathing. Now they're going to say they have to pay the bills left behind by Gaidar and Fyodorov [the radicals attacked for not honouring spending commitments made by the state in order to keep down inflation]," he said.

"The injection of money into the economy will create a sense of normalcy but then there will be new inflation and they will tighten up again. It depends on bow deeply they breathe. If they are very careful, the same person who does the expiring will also do the inspiring."

But the western official added that the IMF and the G7 seemed happy to agree on a "wait and see approach" until the new government's reform policies became clearer.

He pointed out that the G7 was expected to discuss Russia in detail at the end of February.

Rnssla's privatisation minister, Mr Anatoly Chubais, the only leading liberal left in the Moscow cabinet, yesterday said be was sure he could dsfend reform ogainst opponents in and outside the government, Reuter reports from Davos.

But he cautioned that the drive to build a stable market economy would be wrecked unless inflation was brought firmly under control. He also expressed regret that the central bank chief, Mr Victor Gerashchenko, had not been sacked. "I will fight against any attempt to change the essence of the reforms in Russia," he told a news conference at the annual Davos gathering of business and political leaders. "I have no doubt we will be able to finish our privatisation programme by June 30."

Boost for German machine tools

Germany's machloe tool industry, one of the key sectors reflecting trends in the country's economy, is showing some sign of growth, the association for German machine tool mannfacturers, VDMA, said yesterday, writes Judy Dempsey from Berlin.

Foreign orders in December rose by 19 per cent compared with the same period the previous yesr, slthongh there were few signs tbat orders from European Unlon countries and eastern Europe were Increasing. Tbe VDMA sald that south-east Asia, the US and Latin America accounted for the bulk of the orders.

But domestic orders continued to decrease in December, falllng by 14 per cent over the same period last year, so that total orders for the month rose by a modest 1 per cent.

On a year-to-year basis, total orders ln 1993 were down 8 per cent compared with 1992, with domestic orders folliog by 15 per cent and foreign orders growing by t per cent.

Most of the growth in foreign orders was recorded in the second half of 1993, confirming a pick-up in exports.

Strikes prompt SPD call for fresh pay talks

By Ariane Genillard in Bonn

Leadsrs of the German opposition Social Democrats yesterday appealed for wage negotiations to resume as thousands of engineering workers across the country held protest strikes over pay increases.

Mr Rudolf Scharping, leader of the Social Democratic party (SPD) and rival candidate to Chancellor Helmut Kohl, called for trade unions and employers to start negotiations again, saying it was urgent that all the mistrust be put aside.

But trade union leaders made clear yesterday that the strike was only a warning in order to hring negotiations back on track. "We are ready to meet the employers in whichever town they choose to continue the negotiations as long as they are willing to present new proposals," Mr Walter Riester, deputy chairman of IG Metall, the engineering union, said.

Employers' leaders also said they were ready to try to bridge differences. "We are ready to hold constructive talks with IG Metall any time," Mr Hans-Joachim Gottschol, president of Gesamtmetall, said on German television.

Mr Scharping and other SPD leaders issued their warnings as 60,000 workers in 137 companies downed tools to protest against the refusal hy employers to grant unions' demands for pay increases of between 5.5 per cent and 6 per cent.

More than 40,000 workers held morning stoppages in Bavaria, where around 80 companies, including carmakers Audi and BMW, were affected, according to trade unionists. In Baden-Württemberg, 9,000 engineering workers stopped work for up to three hours. Other protests took place in the states of Hesse, Lower Saxony, North Rhine-Westphalia and Berlin.

Talks between IG Metall and Gesamtmetall, the employers' association, broke down last week after a two-week deadline during which employers refused to discuss the pay increases demanded. Gesamtmetall is instead offering pay deals which would lower the workers' real purcbasing power.

Turkish central banker resigns

By John Murray Brown in Istanbul

Tnrkey's central bank governor, Mr Bülent Gultekin, resigned yesterday, dealing a fresh setback to the battered coalitioo of the prime minister, Mrs Tansn Çiller.

His resignation comes in the wake of last week's devalnation of the lira, and follows two weeks of currency panic in Turkisb money markets. The immediate cause was unclear yesterday, altbongh Mr Gultekin is nnderstood to be particolarly sngry at reported remarks by Mrs Çiller that the central bank was to blame for the 12 per cent devaluation.

Bankers expect renewed pressnre on the lira on Wednesday when the treasury is due to redeem soms Tl 7,000bn (£2.8bn) worth of bills. Mr Gultekin, who became governor last antumn, warned of "political and economic tensions in the coming days". He said he had used all the instruments available to see off a crisis. However since January t1 (when the run on the lira started) he had been "left alone".

Mr Goltekin is the most seoior bureaucrat to resign from Mrs Çiller's government, a move which will further fuel the impression of deep divisions over economic policy.

Mr Gnltekin wsrned tbat Turkey must adopt a "reliabla and believable" stabilisation programme. "Instead of a market economy, we have a situation where every sector expects everything to be provided by the state."

Norway's bank chief faces new inquiry

By Hugh Carnegy in Stockholm

An official investigation was lsunched yesterday into two companies linked to Mr Torstein Moland, Norway's newly-installed central bank governor, who has come under pressure to resign over allegations of tax irregularities.

Mr Moland, who took office at the beginning of January, said he welcomed the inquiry by Okokrim, a body whicb deals with economic and environmental crime, wblch be said was necessary to "get the truth on the table". He denies any wrongdoing.

Mr Sigbjorn Johnsen, ths finance minister, also welcomed the investigation. Norway's minority Labour government has so far stood firmly by Mr Moland, with Mr Johnsen telling parliament last week several other investigations bad revealed no evidence against the new governor.

Norway's three leeding newspspers and tbe small Socialist Left party have called for Mr Moland to resign, saying his authority was undermined by allegations of tax regulation violations in the sale of his share in Airbus A320, a limited partnership used to finance aircraft purchases, to Ostlandske Stenexport, a subsidiary of Christiania Bank, where Mr Moland was a member of the board.

The inquiry will try to determine whether Mr Moland knew that his stake was worthless when be sold it to Christiania. About the time of the sale, the bank wrote down its own investments in Airbus to zero.

End killings of Inkatha, says Mandela

By Patti Waldmeir in Pretoria

African National Congress leader Nelson Mandela yesterday urged his followers to stop killing members of the Zulu-based Inkatha Freedom party, as negotiators from the two parties met for further talks aimed at averting serious ethnic conflict.

After meeting briefly yesterday the rigbt-wing freedom alliance and the ANC said they would today consider their negotiating positions in a final attempt to amend the 1993 constitution to accommodate right-wing demands for regional autonomy. Full tripartite talks, including the government, would resume later in the week.

There is no legal hurdle to further discussions, as under the electoral law, tbe last possible moment for agreement is still as much as three weeks away.

The law states that parties must register for elections no more than 10 days after the planned April 27-29 election is officially promulgated. This has not yet been done, and promulgation could be as late as February 24.

Inkatha and the white right will determine whetber to register for elections on the basis ol whether the constitution is amended to their liking. But negotiators from all sides said time was running out, with President F W de Klerk expected to proclaim the election this week to allow complicated preparations for the first all-race poll to begin.

Right-wing parties also want a solution, knowing that, if they decide to enter the poll, they will have lost valuable campaign time.

ANC negotiator Mr Joe Slovo said on radio he was pessimistic about a breakthrough in the three-montb stalemate between the government, ANC and the conservative Freedom Alliance, hut "while there's talk, there's life."

At the weekend, supporters of hoth Inkatha and white rigbt Afrikaner Volksfront (Afrikaner People's Front) made clear their rejection of the poll, though neither party has yet made a final decision on participation.

Mr Mandela reacted to weekend news of right-wing opposition hy trying to reassure right-wing Afrikaners they can vote separately for their own homeland, a key demand from conservative Afrikaners.

He made no such concession to Inkatha, which is demanding strong powers for regional governments, hut called for peace between his supporters and those of Inkatha Chief Mangosuthu Buthelezi.

"It is disturhing there are some people who want to kill every Zulu because tbey believe every Zulu is Inkatha," Mr Mandela told a crowd of 10,000 in Ikageng township outside Potcbafstroom, western Transvaal. ANC members should reason with their opponents, not kill them, he said.

ANC president Nelson Mandela reaches out to a cheering crowd of 10,000 in Ikageng, western Transvaal, yesterday Associated Press

Israeli health move deepens coalition rift

By Julian Ozanne in Jerusalem

A special eession of Israel's cabinet yesterday approved a controversial health insurance proposal, deepening rifts in a fragile coalition government.

Approval of the health insurance compromise will force the reaignation of Mr Haim Ramon, health minister.

By a 9-5 majority, the Labour-led cabinet backed a compromise endorsed by the Labour convention on Sunday, rather than opting for a bill put forward by Mr Ramon which would have separated the trada union movement from health-care contributions.

Mr Ramon's bill also called for all insurance contributions to be collected by the National Insurance Institute rather than the Kupat Holim Clalit, the health-care arm of the trade union federation. The Labour convention compromisa, endorsed by the cabinet, maintains the link hatween the trade union and tbe Kupat Holim, leaving the Kupat Holim with 50 per cent of the insurance dues.

Mr Ramon and the four cabinet ministers from tbe left-wing Meretz party opposed the compromise move.

After the vote Mr Ramon, a popular figure among the young reform generation of the Labour party, said be would resign at next Sunday's cabinet meeting. Prime Minister Yitzhak Rabin is anxious to retain Mr Ramon and is trying to persuade him to stay, possibly as minister without portfolio.

The bealth insurance compromise is unpopular in the country and could be voted down in the Knesset (parliament), threatening the government and its peace platform. Mr Binyamin Netanyahn, leader of the opposition Likud, said his party would oppose the compromise and vote for Mr Ramon's original bill.

If Mr Ramon leaves the government, it would weaken the coalition, already enfeebled after the ultra-orthodox Shas party left the coalition last year after charges of corruption were brought against two Shas ministers.

The internal difficulties came as Mr Yoel Singer, legal adviser to the Foreign Ministry, was due back in Israel from Switzerland to present a draft Israeli-PLO agreement to Mr Rabin.

The draft was hammered out in Switzerland between Mr Shimon Peres, foreign minister, and Mr Yassir Arafat, Palestine Liberation Organisation chairman.

Israeli officials said the main obstacles to a final agreement to implement Palestinian self-rule in the Gaza Strip and West Bank area of Jericho had been largely agreed, but some details remained unresolved.

Mr Rabin has apparently taken a tougher position on control over border crossings and the size of the Jericho area than his foreign minister.

Yitzhak Rabin: anxious to retain Mr Ramon

Mr Said Kamal, the PLO envoy to Egypt, yesterday confirmed the details of the Peres-Arafat compromise and said: "Rabin has the final word now and reaching agreement depends on his approval of the compromise reached between Peres and Arafat."

A drafting team from both sides will meet in Cairo this week before Mr Peres and Mr Arafat meet on Sunday in the Egyptian capital, wbere they could initial the agreement.

NEWS IN BRIEF

Lagos wants army measures lifted

Nigeria has asked Britain and the US to lift measures against the armed forces imposed after the annulment of civilian elections last June, writes Paul Adams in Lagos.

Chief of army staff, Maj-Gen Chris Alli said in Somalia that removing tbese measures would help Nigeria to fulfil its role in UN peace-keeping operations around the world. Nigeria's forces in both Liberia and Somalia have complained that they lack of pay and equipment.

Nigeria has been involved in UN missions to Rwanda, Angola, Somalia and Bosnia in tbe past year and provides nearly all the 10,000 strong West African peace-keeping force in Liberia.

Poll endorses Kyrgyzstan reforms

Kyrgyzstan President Askar Akayev won a resounding referendum victory endorsing his plan for faster capitalist reforms, Reuter reports from Bishkek.

Mr Akayev, a former matbematics professor, gained 96.3 per cent of Sunday's vote, giving him the mandate he sought to push through reforms and override objections from an ex-communist parliament. The official turnout was 95.3 per cent of the 2.2m electorate.

China and Taiwan reopen talks

China and Taiwan yesterday opened fresb "unofficial" talks, tackling political strains on on burgeoning economic ties, Reuter reports from Beijing.

Mr Chao Jen-bo, secretary general of Taiwan's Straits Exchange Foundation, warned against hopes for a breakthrough during the five days of meetings witb his Chinese counterpart, Mr Tang Shubei of Beijing's Association for Relations Across the Taiwan Straits, saying complicated legal disagreements would take a long time to work out.

Angolan police reform agreed

The Angolan government and Unita rebels yesterday agreed on a reorganisation of the national police force, a breakthrough in finding a settlement to their long war, agencles report from Lusaka.

Composition of the force was a main stumbling block to finding a settlement to end 18 years of civil war. The talks started in Lusaka In November. The two sides had previously agreed on a ceasefire, which bas uot come into effect.

Britain withdraws Kenya forest aid

By Leslie Crawford in Nairobi

Britain's Overseas Development Agency has withdrawn a £12m grant for a forestry conservation programme in Kenya because of concerns over unregulated land use in protected forest reserves.

This is the first aid-funded project to be cancelled since the international donor community restored financial assistance to Kenya last November. Balance-of-payments aid had been frozen for two years over allegations of corruption and economic mismanagement, problems which have not been fully addressed.

The British High Commission yesterday said it had been "unable to agree on mntually acceptable conditions for further snpport for tbe Kenya Indigenons Forest Conservation project".

The ODA is believed to have pressed the Kenyan government to end the illegal allocation of protected forest areas to members of the ruling Kanu party and their acolytes. It also demanded an end to unregulated logging concessions, which are destroying Kenya's tropical hardwood forests.

It is believed the vation project was cancelled when the government failed to provide these assurances. Government officials were unavailahle for comment.

Land has always been a political issne in Kenya because of the scarcity of arahle land for a rapidly growing population. It is a main cause of ethnic violence in Kenya.

Dr Richard Leakey's resignation as director of the Kenya Wildlife Service last month was also triggered by the political hunger for land. He contended that his refusal to grant mining or commercial concessions within Kenya's natnre reserves provoked a vendetta against him.

ANC tries to heal mines investment confidence

By Matthew Curtin in Johannesburg

The African National Congress is stepping up its efforts to repair damage to investor confidence in South Africa caused by what it says is misunderstanding by foreign investors and the mining industry of its draft mining policy.

While tbe ANC is determined to see mineral rights fall under state control, it is increasingly concerned that change takes place after consultation witb tbe mining bouses, trade unions, and foreign mining companies operating in Soutb Africa.

Despite an acrimonious meeting between the ANC and mining industry representatives last week, the organisation and tbe Chamber of Mines are moving towards a more constructive relationship.

The chamber is preparing an official response to the ANC proposals before a meeting tomorrow at whicb tbe two sides will draw up guidelines and a timetable for more talks.

Mr Paul Jourdan, the organisation's co-ordinator of mineral and energy affairs policy, said yesterday tbe ANC had no plans to set up a state-run marketing corporation with control over the pricing of South African mining output, and had no intention of expropriating or nationalising mineral rights or mining companies.

Clauses in tbe draft mining policy document referred only to the establishment of a formal minerals auditor to monitor export pricing, a job which the Soutb African Reserva Bank was already doing.

Mr Jourdan said researcb showed that although the mining sector seemed to be one source of irregular capital flight from South Africa through transfer pricing, it was small mining companies rather than the mining houses which were to blame.

Mr Jourdan believed tbe ANC's plan to return mineral rights to the people was in lina with general sympathy inside tbe industry that pnblic ownership was preferable to private.

Given the complexity of mineral rights in South Africa, tha transfer to the state would be slow, perhaps involving tha introduction of a tax on mineral rights with the option of ceding rights to the state in exchange renewable long-term mining leases.

"Reversion sbould ba achieved without impairing the profitability and expansion of all mining companies operating in Soutb Africa," Mr Jourdan said.

New Algerian leader faces huge problems

By Francis Ghilès

Gen Lamine Zeroual, sworn in yesterday as Algeria's sixth bead of state, faces huge challenges on the economic and political fronts during his first weeks in office.

Gen Zeroual, who retains his defence portfolio, will have to decide whether to attempt dialogue with the hanned Islamic Salvation Front (FIS).

Secret talks between senior officers and representatives of FIS have come to nothing, and Mr Ali Benhadj, one of the more fiery FIS leaders, has written from prison that nothing is possible until "those who suspended the elections two years ago and spilt the blood of Moslem children are hrought to trial".

Some in the military are convinced that a genuine attempt to talk provides the only hope of separating moderates from the more revolutionary fundamentalists, such as the Armed Islamic Group who have claimed responsihility for the killing of foreigners and foreign wives of Algerians.

Some officers fear that without dialogue there could be a risk of widespread regional and factional violence. Others are wary of dialogue, as they believe fundamentalist supporters would make them pay a heavy price for tbe repression they have suffered for the past two years.

A policy of dialogue is supported by the most respected lay opposition leadar, Mr Hocina Ait Ahmed, who leads tbe Front des Forces Socialistes.

He says the army holds "the keys" to the future but must talk to all political parties, not only the FIS. He suggests it should share power with civilian parties, a position the military has not agreed to since independence 33 years ago.

A further argument in favour of dialogue is that negotiations are well advanced with the International Monetary Fund on a package of economic reforms.

So are talks to lighten the burden of foreign debt payments which in 1994 will absorb all Algeria's foreign income.

Mr Redha Malek, who was confirmed as prime minister yesterday, has made public his wish for agreement with the IMF ever since he took taking office last August.

Senior European and US observers do not believe it will be possible to sell further austerity to a population which has suffered five years of declining living standards and civil strife, if minimum political consansus is not achieved.

Gen Zeroual's father was an imam (preacher), and Mr Malek's a cadi (Moslem judge). Their background and credentials may help their efforts towards building a consensus.

Much of the initial support for the FIS came from young Algerians despairing at the corruption and inefficiency of a command economy which, for a quarter of a century was run by one party, the National Liberation Front, with army backing.

This despair was shared hy millions who were opposed to the methods and aims of the "Party of God" but who in the past two years have refused to support the government because of its failure to enact economic reforms.

Some of Algeria's western partners, such as Spain and the US, for two years now have consistently argued that dialogue, bowever hard, and economic reforms provide the only hope of averting civil unrest.

The French government, most notably Mr Charles Pasqua, minister of the interior, has been blunt in support for the regime. But the comment of Mr Alain Juppé, French foreign minister, this month, indicating that the status quo was untenable, suggests France may be shifting its ground.

Those who remain opposed to talking with the FIS argue that a "moderate" fundamentalist is a contradiction in words. Yet the more radical Islamic groups are known to despise the FIS, which when allowed to operate legally was never monolithic in its views and behaviour.

Even Algerians opposed to the FIS know there must be a difference between religious fanatics trained in Afghanistan and the average young Algerian despairing at the prospect of no joh and no housing.

Oriental's hopes ride on the Eastern Express

An English-language daily hits Hong Kong's streets today, **Simon Holberton** writes

Along with the morning's dclivery of newspapers and magazines Hong Kong's band of newspaper hawkers have been receiving an unexpected visit.

Mr Ma Ching Kwan, chairman of the Oriental Press Group, puhlisher of the Chinese-language Oriental Daily News – Hong Kong's higgest selling daily newspaper – and Mr Herman Hui, an executive director, have been rising early over the past few weeks to meet the people who sell their paper on the streets.

Botb are tbere to tell tbe bawkers about Oriental's latest publishing venture, a daily English-language newspaper called the Eastern Express, and to ask them to give it prominent display on tbeir stands.

Eastern Express begins publication today after an 11-day delay due to technical difficulties with its computer system. It is the first English-language daily to be launcbed in Hong Kong since 1949, wben the Hongkong Standard was started by the Sing Tao newspaper group.

Mr Ma's early-morning chats are more than just a beguiling example of oriental palitesse. English-language newspaper publishing in Hong Kong can be extremely profitable if you get it right.

The South China Morning Post, controlled until recently by Mr Rupert Murdoch's News Corporation and now hy Malaysian financier Mr Robert Kuok, has the highest operating margins of any listed newspaper in the world. In the six months to the end of December 1993, the Post's HK$312m (£27m) income before tax was equal to 53 per cent of its turnover; its after-tax margin was 44 per cent.

It is this margin and the change in the Post's management (Mr Kuok is seen as a "pro-Beijing" proprietor wbo will turn his newspaper into the "People's Post") which finally prompted Mr Ma to dust off a two-year-old proposal to bring out a competitor to the Post. "I don't think I can smasb the Post overnigbt," says Mr Hui. "But I believe the fittest survive."

He appears equally confident in tbe face of questioning about press freedom after Hong Kong's transfer to China in 1997. "I do not think a free press should be afraid of the Communist party. A newspaper should not exist according to the political weather."

The Oriental group has a mixture of pride and corporate strategy riding on the Eastern Express. First is the company's unblemished record in Hong Kong of succeeding in every publishing venture that it has embarked on.

EASTERN EXPRESS

Second is the desire of Mr Ma to spread his wings beyond Hong Kong hy publishing the Eastern Express for predominately Hong Kong Chinese populations in Australia and on the west coast of the US.

That said, the start-up cost has not been large. According to Mr Hui, the company has invested some HK$20m in the newspaper, mainly in its editorial system, and staff. Othar costs are limited because the paper is printed on existing presses, and the staff are located on a previously vacant floor of the company's headquarters in Kowloon Bay.

Distribution costs will also be minimal, although coverage of Hong Kong will be comprehensive, because the Eastern Express will be distributed along with the Oriental Daily News. Mr Hui says that with a circulation of 60,000 the Eastern Express would break even within a year.

In its pre-launch phase the Eastern Express has billed itself as "the paper you can trust". Its editor, Mr Stephen Vines, former Hong Kong correspondent for tha Observer and the Guardian, promises an independent newspaper containing more analysis of daily events than readers have been used to in Hong Kong.

"The thinking behind this newspaper is that wa are entering a period of intense interest in news, with a demand for an independent source of information," Mr Vines says. "Non-aligned puhlications will become fewer and fewer as time goes by."

This is a dig at the Post, at present the dominant English-language newspaper in Hong Kong. It sells 110,000 copies a day. This compares with 40,000 for the Standard, a paper whose frequent redesigns and relaunches have made it seem unsure of itself. Both papers have responded to the coming competition witb changes in layout and the addition of new features sections and, in the case of the Standard, another redesign.

Mr David Armstrong, the Post's editor, says the Eastern Express is founded on the false premise that the change in the Post's ownership means a change in its editorial policy away from Governor Chris Patten towards China.

"Well, the expected change in editorial policy basn't happened, and it won't," says Mr Armstrong. He adds: "I'm confident that we can deal with anything they might throw at us. The Post is a well-establisbed newspaper in Hong Kong with strong reader loyalty."

If, however, success could be ordained, the Eastern Express would have it immediately. Hong Kong's advertising industry, bridling at what it sees as monopolistic pricing behaviour by the Post, seems keen for the Eastern Express to knock the Post off its perch. According to Mr Garry Brown, managing director of Leo Burnett in Hong Kong: "It's not as if tbere are that many people who feel they owe the Post any favours."

NEWS: THE AMERICAS

Bolivia plans far-reaching privatisation

By John Barham in Buenos Aires

Bolivia yesterday set in motion one of South America's most ingenious privatisation programmes. The new government of President Gonzalo Sánchez de Lozada sent to congress a bill to authorise the transfer of six state companies to private investors and to Bolivia's 3.2m adults, in a scheme inspired by eastern Europe's mass privatisations.

Mr Ramiro Ortega, the official overseeing the programme, said it would "generate an investment shock for Bolivia, generate jobs and double-digit growth within two years".

Bolivia is South America's poorest country but has been in the vanguard of economic reform since it defeated hyperinflation in 1985, when Mr Sánchez de Lozada, a millionaire businessman, was finance minister.

Mr Ortega said that, under the scheme, long-term investors selected through an international bidding process would take up to half the equity in each company without payment. They would, however, have to agree to invest heavily in them and sign a long-term performance agreement.

Ownership of the remaining shares will be divided among the population free of charge, but will be held in private pension funds. These funds are meant to provide a minimum retirement income as well as to galvanise Bolivia's rudimentary capital markets and improve access by private companies to long-term finance.

Electricity and telecommunications companies are the first candidates for the scheme, followed by the state railways, an ironworks, the YPFB oil and gas corporation, and the international airline LAB.

There will be no restriction on foreign investors.

Companies will be transferred free of debt and environmental and labour liabilities. They employ abont 3,000 people and management could sack staff, with severance charges paid by the government.

The draft law sent to Congress yeeterday will be followed by further measures to create regulatory frameworks, abolish legal monopolies and specify each company's privatisation mechanism. The government is confident its majority in Congress will ensure the bills' rapid passage.

Mr Ortega says the scheme will draw \$3bn (£2bn) into Bolivia over three years, an annual capital inflow equivalent to about 20 per cent of GDP. He forecast this would treble the growth rate to 10-12 per cent a year and cut unemployment and underemployment by two-thirds, from 30 per cent now.

Saudis' US arms payments eased

Saudi Arabia and the US have signed an agreement under which the cash-strapped Saudis will restructure \$9.2bn (£6.1bn) in arms payments to five US companies, defence officials said yesterday, Reuter reports from Washington.

The deal, signed on Saturday, could also clear the way for a reported plan by the Saudis to buy \$6bn to commercial airliners from Boeing and McDonnell Douglas.

The US defence officials said the restructuring deal was signed by officials of the two governments and of McDonnell Douglas, Raytheon, General Dynamics, FMC and General Motors.

The \$9.2bn in payments, previously scheduled over the next two years, cover part of some \$30bn in US weapons orders by the Saudis.

The defence officials said the plan wonld allow Sandi Arabia, which has been hit by declining oil prices, to stretch out payments for jet aircraft, missiles, tanks, armoured troop carriers and other arms, without cancelling planned purchases.

The deal chiefly affects a \$9bn deal by the Sandis to buy 72 McDonnell F-15 fighter aircraft. Instead of taking delivery of two of these jets each month, beginning sometime next year, the Sandis would buy one each month, the officials said.

Low poll on Guatemala reform

By Edward Orlebar

Fewer than one Guatemalan in five voted in a referendum on constitutional reforms on Sunday, failing to provide President Ramiro de León with the vote of confidence he was seeking to boost his lacklustre presidency.

About four-fifths of those who did vote supported the reforms sponsored by the president - to bring forward congressional elections, decentralise government spending and combat corruption - but more than 80 per cent of voters stayed at home, according to early results.

Even so, Mr de León, who negotiated the reforms with congress in November after he had failed to purge corrupt congress members, is claiming a renewed mandate.

Congressional elections will now be brought forward to this year, and a new and expanded supreme court will be chosen. But there is nothing to prevent corrupt deputies or supreme court judges being re-elected or re-nominated.

Opponents from unions and popular organisations who called for Guatemalans to abstain, arguing that the reforms were merely cosmetic, said the result was a political failure for the president.

"The referendum was postponing the necessary restructuring of the state," said Mr Byron Morales, a union leader.

Scandal mars Costa Rica campaign

Messy court case robs the presidential favourite of his lead, writes David Scanlan

A series of scandals has robbed Costa Rica's leading presidential candidate of his commanding lead in the opinion polls, as one of the dirtiest election campaigns in the Central American country's history draws to a close.

Mr José María Figueres of the opposition National Liberation Party is now even with or slightly behind his opponent, Mr Miguel Angel Rodríguez of the ruling Social Christian Unity Party, to the election on Sunday, according to most polls.

The constitution prohibits President Rafael Angel Calderón from running for re-election.

Mr Figueres, son of a popular former president, Mr José "Pepe" Figueres, was in front by at least seven percentage points in the autumn but his fortunes have tumbled through scandals and accusations, including allegations that he was involved in the murder of a drug dealer 20 years ago.

Given the popularity of his father, this was to be an election for Mr Figueres to win easily. But an unpleasant court battle got his campaign off to a poor start in October.

Mr Figueres sued for libel and slander two authors, the brothers David and José Romero, whose best-selling 1991 book, The Chemise Case, linked him with the unsolved murder of a suspected drug dealer.

In dramatic testimony, Mr Figueres denied the killing but a Costa Rican judge, in a ruling on November 30, upheld a previous judgement absolving the authors.

Mr Figueres, whose father was president at the time of the killing, had vowed to resign if he lost the case. Now, though, he is pressing on - and has even claimed victory after one of the Romeros' witnesses was adjudged to have slandered him during a television interview. "I'm not going to retire or take a single step back. This is won and won cleanly," said Mr Figueres.

TROUBLE IN HIS WAKE: President Rafael Angel Calderón must stand aside this time Picture: AP

Mr Rodríguez has capitalised on the upset and has attacked his rival over complaints that a leading television journalist was fired after pressure from the Figueres campaign team. Mr Rodríguez's campaign advertising called Mr Figueres "a threat to the freedom of the press".

The latter was also implicated, last month, in a mining investment scandal of the early-1980s. The public prosecutor's office ruled last week that Mr Figueres was involved in the scandal but could not be charged because of the statute of limitations.

In response, the Figueres team has claimed that Mr Rodríguez had a role in the shipping of tainted beef to the US in the 1980s, when he ran a beef export company.

The mud-slinging has done little to indicate where the candidates would take the country over the next four years. The two leading parties claim to be redically different, but they tend to contest the middle ground.

Both candidates say they would continue a 10-year programme of reduced government spending and privatisation, and would continue to integrate the economy with its Central American neighbours. Five nations of the region signed a landmark pact this year to create a free-trade bloc, but Costa Rica reserved the right to collect its own customs duties and to prevent free movement of labour.

The National Liberation party tends to be more concerned with maintaining social programmes, while the Social Christian Unity party favours free market economic reforms.

A simpler view of Costa Rican politics suggests that Mr Figueres will win because it is his party's turn. The two parties have exchanged power at every election but one since 1948.

Costa Rica still has the richest and most stable economy in the region and elections tend to be free of fraud and violence.

Even so, the nation is facing new economic and social tensions. Foreign debt of more than \$4bn represents 62 per cent of annual gross domestic product of \$6.5bn.

Recent administrations have redneed the debt through a Brady plan restructuring, cutting government spending and introducing austerity measures. But wages have not kept pace with inflation and taxes, even though annual inflation has been cut to 9 per cent over the past 12 months.

Costa Rica's traditional exports have also suffered: bananas from uncertainty about exports to the European Union and coffee from falling world prices which led the country, with other coffee producers, to withhold 20 per cent of output from October 1.

Together with rising imports, this produced a trade deficit of \$833m last year, nearly three times that of 1989.

Costa Rica has endured international criticism over its labour and human rights records. In a report in October, the US labour group, the AFL-CIO, said unions in Costa Rica were not legally protected. Mr Calderón's government was embarrassed and outraged, but worried by the prospect of US sanctions. It approved in November labour reforms that appeased the US group.

This criticism, with a recent report from Amnesty International accusing Costa Rica of human rights violations, have been embarrassments for Costa Ricans who consider themselves above such charges.

For all that, Costa Rica has lots to brag about, as the candidates daily remind voters. A growing tourism industry has offset faltering commodity sales, making it the main source of revenue.

Some \$505m was earned from 700,000 "ecotourists" this year, twice as many as in 1989. Growth has remained robust: 6.5 per cent last year, compared with 7.8 per cent in 1992.

At least five Somalis die as US troops open fire

By George Graham in Washington

The chequered history of the failed US effort to restore stability to Somalia took another violent turn yesterday when US marines opened fire near a food distribution centre in Mogadishu, killing and wounding several Somalis.

A US official said the marines, who were escorting US diplomats to a meeting with representatives of General Mohammed Farah Aidid, a Somali clan leader, were first fired on by at least two Somali gunmen. This account was not corroborated by a nearby detachment of Bangladeshi troops, and was contradicted by Somali witnesses who said US troops fired directly at the crowd. At least five Somalis were reported to have died in the incident.

President Bill Clinton has set a March 31 deadline for the withdrawal of US troops. That withdrawal was ordered in response to criticism to the US Congress after 18 US soldiers were killed last October during a raid intended to capture allies of Gen Aidid.

The United Nations has sketched out plans for a reduced international force of around 15,000 after the US withdrawal, with most of the troope deployed in the more settled areas outside Mogadishu.

However, UN officers predict the peacekeepers will increasingly come under attack from gunmen seeking to test the resolve of remaining troops.

US officials have acknowledged they are not hoping for much more than "a sort of rough and ready coexistence" between the rival Somali clan leaders after the US troop withdrawal.

Mr Clinton is expected to ask Congress in next week's budget for another \$400m (£267m) to wrap up the US involvement in Somalia, bringing the overall cost since US troops first landed in December 1992 to more than \$1bn.

NEWS: WORLD TRADE

Germany's gas rivals end three-year dispute

By Judy Dempsey in Berlin

Arch-rivals in the German gas industry last night called a temporary truce after a contract guaranteeing long-term Russian gas deliveries to eastern Germany was signed in Leipzig.

The contract ends a bitter three-year dispute in which Wintershall, a subsidiary of BASF, Germany's largest chemical group, attempted to weaken the east German gas monopoly held by Verbundnetzgas, the regional gas transmission company.

It is also seen as a victory for Wintershall, which is poised to play a more important part in the Germen gas industry, despite strong resistance from Ruhrgas, which holds 70 per cent of the western German gas market, and other German gas distributors.

Under the terms of the 20-year contract, VNG will buy gas from Wintershall Erdgas Handelshaus, or WIEH, Wintershall's trading house. Annual deliveries will rise from 3.5bn cubic metres to 7bn cubic metres after 1999. In the process, VNG has secured a supplier and Wintershall has secured a buyer for its gas.

Until 1990, natural gas accounted for less than 9.5 per cent of eastern Germany's primary energy consumption. It was delivered through two Russian gas pipe lines - Yamburg, which delivered 3.1bn cubic metres a year, and Orenburg, which delivered 2.8bn cubic metres to the region. The contracts had been made between the former east German and Soviet governments, with VNG acting only as a distributor.

Everything changed after unification. The Yamburg contract - which is due to expire in 1998 - and the Orenburg contract were taken over by the German federal government, which assigned them to VNG. VNG had been privatised by the Treuhand privatisation agency. But the carve-up of its shares weighted against Wintershall, British Gas and Elf Aquitaine, which combined hold 25 per cent of VNG, in favour of Ruhrgas and other west German gas distributors which hold the majority.

However, Gasprom, the former Soviet gas ministry, which was selling on behalf of the Soviet and later the Russian government, insisted it would no longer accept old - and lower - prices from VNG for any new gas deliveries from the Orenburg pipe line. At issue was not only price; it was also a question of who would control Russian gas supplies to eastern Germany.

After VNG declined to pay more, Gasprom and Wintershall set up a joint venture - the WIEH trading house, with Gasprom holding a 30 per cent stake. Gasprom gave WIEH both the right to market Orenburg's gas - if necessary through Wintershall's new pipe lines - and influence over gas prices.

After endless arguments and short contract deliveries by WIEH to VNG, both sides last night called a truce. "It has been a difficult dispute," a Wintershall official said. "But if you want to create competition in this country, you need a lot of energy in order to fight your way into it."

Japanese lobby group attacks numerical targets

By Paul Abrahams in Tokyo

Leading Japanese academics and economists have called for their government to stand firm against US demands for numerical targets as part of the countries' bilateral trade talks. The 70 academics, in the Scholars for Free Trade lobby group, said the government should not compromise even if threatened by sanctions.

Earlier, a senior Washington official said the US might have to resort to sanctions if the framework negotiations over Japan's trade surplus and access to the Japanese market failed.

The US is targeting Japanese barriers to sales of vehicles and automotive parts, insurance, and government procurement of medical and telecommunications equipment. The negotiations are deadlocked over US demands for objective criteria to be set against which progress can be measured.

In an open letter to the US and Japanese governments, the group said that, in a free market, the consumer should decide market shares. It was more important to create such a market than distort it by numerical targets.

US company wins order to process Chinese waste

By Our Beijing Staff

Dresser Industries, the Dallas engineering company, has won a pioneering agreement to treat wastewater in China, an area with huge market potential.

DI will collaborate with Beijing Wastewater Treatment Engineering Corporation (BWTE) to build wastewater treatment plants and provide technical know-how.

"Dresser Industries has played a significant role in China for many years and is committed to doing business in China," said Mr Robert Brimberry, president of Dresser's Trading Division, at a signing ceremony last week.

China produces 100m tons of waste water a day. Only 5m tons, or 2 per cent, is treated, because of a lack of treatment facilities.

Beijing now treats 20 per cent of the city's daily 2.4m tons of sewage.

Officials plan to raise that figure to 80 per cent by the year 2000.

DI won its first Chinese order in 1974. It now has an office in Beijing and one in South China's Shenzhen Special Economic Zone.

Treuhand warns Elf over oil refinery

By Judy Dempsey in Berlin and John Ridding in Paris

The Treuhand privatisation agency reserves its legal right to impose penalties for breach of contract if Elf Aquitaine, the oil group and France's largest industrial company, fails to find a partner for the east German Leuna refinery complex, Treuhand officials confirmed yesterday.

Elf wants to reduce to 35 per cent its current 65 per cent stake in Leuna, a refinery being rebuilt in the state of Saxony-Anhalt.

The remaining stake is held by Thyssen Handelsunion. Together, they agreed with the Treuhand to invest DM4.8bn (£1.85bn) and secure 1,000 jobs to the refinery's construction. When completed, Leuna will have an annual capacity of 10m tonnes.

Elf's decision to reduce its stake to Leuna is a part of the group's strategy of cutting costs and improving profits, which last year fell from FFr6.2bn (£700m) to FFr1.1bn.

Mr Philippe Jaffré, who took over as chairman of Elf in August last year, said last week that discussions were being conducted with potential partners in the project, but that no agreements had been reached. He also held talks with Thyssen, in Paris in early January, about the prospects for the project.

"Mr Jaffré is attaching great importance to a reduction of the investment in Leuna," said one oil industry analyst in Paris. "It is necessary to cut costs, but also to show he is serious abont improved returns during the process of privatisation."

Elf has assured the Treuhand it will try to find partners to make up any shortfall following Elf's decision to reduce its stake, but so far it has found no candidates. Thyssen Handelsunion is not interested in increasing its own shareholding.

Elf had originally agreed to rebuild the Leuna refinery as part of an agreement to acquire the east German Minol state service station network.

Move to mend banana split

Deborah Hargreaves on a revised European import regime proposal

The European Commission is believed to be considering a plan that would end its row with Latin American countries over access to the \$2.7bn European banana market which might be put before a committee meeting of the General Agreement on Tariffs and Trade today.

It would not be the first solution proposed to end this arcane dispute which has cast a shadow over relations between the European Union and Latin American producers for more than two years.

Tempers in the EU rarely run as high as they do over bananas. The complex row, founded in the EU's obligation, under the Lomé preferential trade convention, to import bananas from former colonies of Britain and France, has set commissioners against each other and opened divisions between member countries. Germany has made its own complaint to the European Court.

Many member countries are critical of the Commission's handling of the dispute bnt have been unable to hammer out a policy which has their majority backing.

At the same time, a rift has developed between the group of Latin American producers over their response to proposals put by the Commission last year.

At a meeting to Guatemala on Friday, the group of five Latin American producers along with Ecuador and Mexico failed to reached agreement on ending the stalemate but will meet again in Panama on Saturday.

Earlier this month the Latin Americans rejected proposals put by the Commission to allow them a ceiling of 2.1m tonnes of banana imports to the EU this year, breaking down into individual country quotas. These would also be subject to tariff payments.

The Commission had put great pressure on the producers to accept its plan - a ceiling of 2m tonnes was imposed last July. But producers have complained to Gatt about the EU banana regime and a condition of accepting the improved ceiling was that they drop that complaint.

One of the ways the Commission brought pressure to bear on producers was to threaten to withdraw the offer if the Latin Americans had not accepted it by the time Gatt issued its report on the banana regime. However, the Commission has since extended its deadline for agreement to February 11 which is when the Gatt report will be circulated to all members.

The Commission is believed to be looking at improving the latest offer by slightly increasing the overall import ceiling and removing individual country quotas for those that are unhappy with them. Those countries - in particular Guatemala, which objected strongly to the previous plan - would then compete with each other for import access within the overall ceiling.

DIVISIVE FRUIT: A Guatemalan sorter sends her crop on its way to customers abroad Picture: Joe Fish

However, the idea of the ceiling still irks the Latin Americans when, in fact, there is strong demand for their bananas in Europe. "It's a contradiction: they want us to open up to free trade under Gatt on the one hand, but accept restrictions on certain products like bananas," said a central American ambassador.

The African, Caribbean and Pacific countries covered by the Lomé convention claim their economies would be devastated if they had to compete freely for EU banana business.

Production costs in the ACP countries are much higher than in Latin America where fruit is also of a uniformly high quality. "Logic dictates that the central Americans which grow the best bananas at the cheapest price should be able to provide the best deal for the EU consumer, but since when has logic ever dictated EU agriculture policy?" said Mr John Wakeley, food and drink analyst at Lehman Brothers.

Latin American producers have been supplying up to 2.3m tonnes of the 3.6m-tonne EU banana market in the past couple of years. These so-called "dollar" bananas can still be sold more cheaply than those from ACP countries even after payment of tariffs since production costs can be a third lower on the more highly mechanised plantations in central America.

In a rush to secure market share Latin American producers last year flooded the EU market with fruit. This led to a slump in prices.

The market has been further confused by Germany's complaint to the European Court calling for a free market for bananas. The Germans even suggested at a Gatt meeting last week that the EU's Lomé commitments on bananas be abandoned altogether. In the meantime, observers suggest that German banana distributors are ignoring the EU rules and continuing to import freely. This could be happening to a lesser extent in the Netherlands, Denmark and Belgium.

Banana distributors such as Geest, which has warned it would make a loss for last year, bemoan the political squabbles which have cast a shadow over the market. "I think it's almost unprecedented in any sphere where government and industry bump against each other," said Ms Clare Wenner, external affairs director at Geest. "It makes it extremely difficult to know how to plan for the long term."

The Gatt report on the EU's banana regime has not yet been made public but is understood to criticise the Lomé arrangements as not in keeping with its free trade rules. This is, however, a moral rather than a practical victory for Latin American producers as the report will almost certainly not be adopted by Gatt - any member can block the majority needed to adopt the report.

The EU could now be forced to apply for an exemption to Gatt rules specifically for Lomé. There is even a narrow chance that problems over bananas could hold up the signing of the Uruguay Round accord as they delayed the signing of the Treaty of Rome that created the European Community in 1957.

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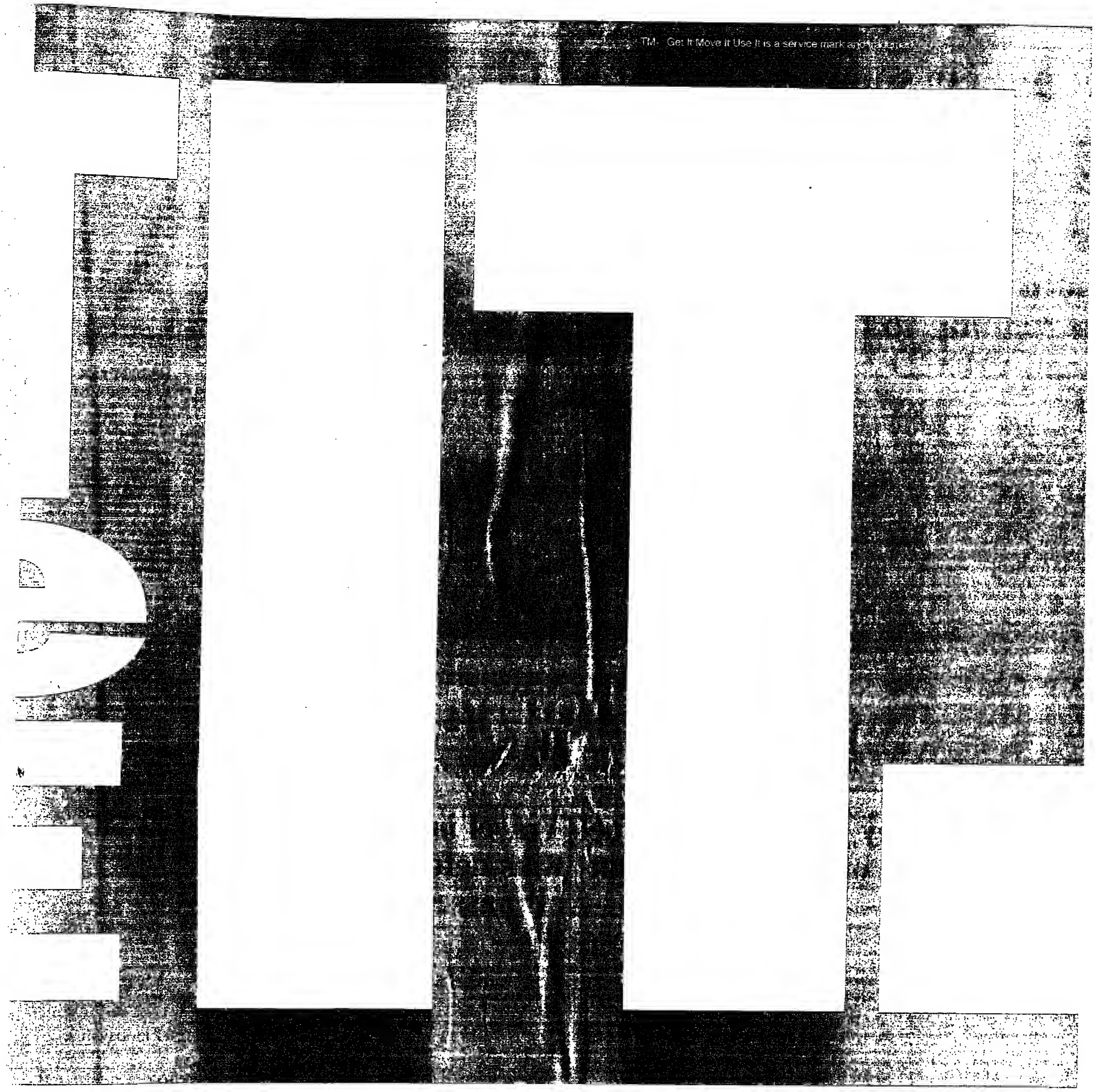

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Sinn Féin squares up to press Ulster case

By Michael Cassell in Belfast

Mr Gerry Adams, Sinn Féin president, will today turn his back on the furious row which has erupted over his visit to the US and launch a concerted, 48-hour campaign to press home the republican case for a political solution in Northern Ireland.

The US decision to grant Mr Adams a visa was met with outrage by unionists in the province, who warned that the Sinn Féin leader would fully exploit the visit for propaganda purposes.

Some Ulster politicians now expect Mr Adams to use his visit to hold out the prospect of a temporary ceasefire by the IRA in order to extract maximum publicity from his short trip and to cast Sinn Féin as the peacemakers. British government sources in Northern Ireland, however, made clear that any such gesture would be regarded as meaningless and that only a full renunciation of violence and a permanent ceasefire would help the peace process move forward.

But the decision was given a cautious welcome by Mr Albert Reynolds, the Irish prime minister, who said the visit was acceptable if it helped bring closer the prospect of peace. Mr John Hume, leader of the Social Democratic and Labour party and representatives of the Alliance Party are also expected to attend today's conference called by the National Committee on American Foreign Policy.

Unionists were quick to accuse President Clinton of a policy U-turn and said the decision meant the US had relinquished any right to act as an intermediary in any efforts to bring peace to the province.

The Rev Ian Paisley, leader of the hard-line Democratic Unionist party, accused the US administration of "kow-towing" to the Boston Irish lobby and warned that Mr Adams might declare a short ceasefire which would then be hailed as a tremendous breakthrough. Mr Paisley will meet Mr Ray Seitz, the US ambassador in London, later this week to discuss the US administration's decision.

Mr Jim Molyneaux, the Ulster Unionist party leader accused the Clinton administration of "presidential wobbling".

But Mr Adams claimed the US decision would advance the peace process in Northern Ireland. Before leaving for New York he said he thought the US could play an influential role in resolving the Ulster conflict. "They can encourage the British, without taking sides, and move the situation on," he said.

Asked whether he now renounced violence, one of the stipulations originally laid down for a visa, Mr Adams replied: "My attitude is quite simple and straightforward – I want an end to violence."

Lord Lawson in running to head OECD

By Peter Norman, Economics Editor

The British government is backing Lord Lawson, the former chancellor, to be the next secretary-general of the Paris-based Organisation for Economic Co-operation and Development.

The job of running the "club" of 24 industrialised nations falls vacant at the end of September when Mr Jean-Claude Paye, the present secretary-general, completes his second five-year term of office. Mr Paye, 59, and a former French diplomat, has let it be known that he would like to continue in the job. Canada is backing the candidacy of Mr Donald Johnston, a Canadian Liberal politician.

British government officials said yesterday that Lord Lawson, 61, was ideally qualified for the post, pointing out that he was a strong supporter of international economic co-operation when chancellor between 1983 and 1989.

Lord Lawson angrily resigned over from Mrs Margaret Thatcher's cabinet over her refusal to discard hard-line monetarist Sir Alan Walters as her economic adviser.

The OECD secretary-general has a tax-free salary of Ffr91,000 a month (about £125,000 a year), a Paris flat and a chauffeur-driven car, and can qualify for additional allowances.

The various candidates will be discussed by OECD ambassadors with the aim of achieving a consensus among member states by the annual ministerial meeting in June.

Lord Lawson's candidature is unusual because he has a heavyweight political background, whereas recent OECD heads have been bureaucrats. However, there is a growing tendency to put strong political figures into international economic posts, as witnessed by the appointment last year of Mr Peter Sutherland as director-general of the General Agreement on Tariffs and Trade (Gatt).

While Mr Paye has earned praise and respect for his stewardship of the OECD, he has adopted a low profile stance at a time of dramatic upheaval in the world economy.

The OECD, which serves as a source of advice and a forum for exchanging views among its members, is also facing radical change with Mexico negotiating membership and South Korea, Hungary, Poland, the Czech republic and Slovakia anxious to join.

It is understood that Lord Lawson put his name forward for the OECD post. The British government has taken up his cause with enthusiasm. His appointment would go some way to diluting the near monopoly control of French officials over senior international economic posts.

Clinton takes a chance on Adams

George Graham on how the visa row plays in Washington

Gerry Adams on board yesterday's flight from Dublin to New York. His visa prohibits him travelling more than 25 miles from the city or engaging in fund-raising activities Picture: Crispin Rodwell

US officials believe Mr Gerry Adams's visit to the US could strengthen his position within the Irish republican movement and help those willing to move towards peace talks to control the more extreme members of their organisations.

A group of around 40 members of Congress has been pressing President Bill Clinton to grant Mr Adams a visa to attend a conference in New York today on the prospects for peace in Northern Ireland, arguing that this could contribute to the peace process by enhancing his influence over the rank and file membership of the IRA.

"The visa won't ensure that, but it's a calculated gamble to raise his prestige against some of his party's extremists," a congressional official said.

"What is the worst that can happen? If it doesn't work and they go back to terrorism he doesn't get in again," he added.

Mr Adams had previously been denied entry to the US eight times because of Sinn Féin's ties to the IRA.

White House officials said the visa authorisation was intended to "reach out to him and his organisation to encourage them to work within the peace process."

Although Congress's most prominent member of Irish extraction, House of Representatives Speaker Thomas Foley, remained opposed last week to granting Mr Adams a visa, most of the Friends of Ireland, a congressional caucus whose leaders include Congressman Frank McCloskey of Indiana and Senator Edward Kennedy of Massachusetts, have urged Mr Clinton to agree to Mr Adams's visa request.

In 1992, during a hard-fought primary election in New York state, Mr Clinton told a gathering of Irish-Americans he thought it would be "totally harmless to our national security and would widen the political debate in this country" to grant a visa to Mr Adams.

Two days later, Mr Adams lost his seat in the British parliament, offering Mr Clinton an excuse for not fulfilling that promise when Mr Adams applied for a visa last summer.

While US officials are sceptical about the likelihood of any short-term breakthrough towards peace, they also see real hope in last month's joint declaration by the British and Irish prime ministers.

"It is by no means gilded excitement but for the first time in a long time people aren't just saying: 'This is all balderdash'," a US official said.

● Gerry Adams was due to appear on Larry King Live on Cable News Network last night. CNN said the interview would not be shown in Europe so as not to breach the UK's broadcasting ban.

Overseas boost for property sector

By Vanessa Houlder, Property Correspondent

Overseas investors increased their spending on UK commercial property by 70 per cent to £2.2bn last year, providing a further stimulus to the fast-recovering British property market.

German, Middle Eastern and Far Eastern investors led the surge of investment in UK property, according to a report published yesterday by chartered surveyors DTZ Debenham Thorpe.

The resurgence of overseas interest in UK property, after two years of decline, was mainly inspired by the devaluation of sterling, the falling costs of borrowing and the high investment yields available on property.

German investors, who spent a total of £700m, were the most prominent source of overseas finance.

Middle Eastern investors spent £350m, much of which came from wealthy private individuals.

Far Eastern investors spent £440m, 60 per cent of which was accounted for by Hong Kong and China.

Just over half the money invested by overseas buyers went into central London, leaving £400m for Greater London and £475m for the regions, particularly the south-east, West Midlands and Scotland.

About £400m of property was sold by overseas investors, particularly by Japanese and Swedish property owners.

DTZ Debenham Thorpe said it expected overseas buyers to play a less important role in the UK property market this year, although their total spending was likely to remain at about £2bn per annum for the foreseeable future.

This is because the lower investment yields available from property is giving an increasing role to equity investors, chiefly the UK institutions, rather than to overseas investors, which used a large proportion of debt to finance purchases.

Money supply figures fuel hopes of interest rate cut

By Philip Coggan, Economics Correspondent

Hopes of a fall in UK interest rates were fuelled yesterday by news that the seasonally adjusted annual increase in M0, the narrowest measure of the money supply, fell to 5.3 per cent in January, from 5.8 per cent in December.

M0 is one of a number of indicators of inflationary pressure followed by the government.

Traders hoped that the signs of a slowdown in M0 growth might persuade the chancellor of the Exchequer and the governor of the Bank of England to cut rates after their monthly monetary meeting tomorrow.

However, the main reason for the drop in M0 growth was a decline in banks' operational balances at the Bank of England.

Growth in notes and coins, the main component of M0, rose by 5.7 per cent in the year to January, the same annual increase as in December. The increase between December and January was a seasonally adjusted 0.8 per cent and on an annualised basis, notes and coins in circulation have been growing at 9 per cent over the past three months.

Even after the January fall, the M0 rate remains above the government's monitoring range of 0-4 per cent. But the monetary authorities have not been too concerned about this, arguing that low interest rates, which have reduced the effective cost of holding cash, are helping to cause high M0 growth.

The Bank of England also released figures yesterday, showing that December growth in M4, the broadest measure of money supply, was slightly lower than indicated.

Seasonally adjusted M4 rose 0.6 per cent, compared with an earlier estimate of 0.7 per cent.

The increase in the 12 months to December was 5.4 per cent, compared with earlier indications of 5.5 per cent.

UK manufacturing output fell back in January but remains on an upward trend, according to a survey published yesterday by the Chartered Institute of Purchasing and Supply, Emma Tucker writes.

The survey's index result is based on responses from purchasing managers at manufacturers, and is designed to give an early indication of changes in economic activity. The index dropped from 54.6 per cent in December to 49.1 per cent in January, its lowest level since January 1993.

The drop to below 50 per cent signalled an overall decline in manufacturing output. But the institute said this mainly reflected seasonal factors.

The index, which has been running for almost two years, is not yet seasonally adjusted.

The employment index also dropped – from 50.2 per cent in December to 47.5 per cent in January – but the institute said that much of the contraction could be attributed to the release of temporary staff.

The outlook for manufacturers is encouraging. A significant number of purchasing managers interviewed reported strong growth in new orders in January, particularly in export markets.

Travel industry wins deferral of air passenger tax

By Ivor Owen and Michael Skapinker

Imposition of the new tax on aircraft passengers is to be deferred by a month until November 1 after pressure from the travel industry.

Sir John Cope, the paymaster general, told the Commons last night that summer holiday brochures offering holidays until the end of October had already been printed – many with no-surcharge guarantees – when Mr Kenneth Clarke, the chancellor, announced the new tax in the Budget on November 30.

As MPs began debating the committee stage of the finance bill, which implements the Budget, Sir John agreed that it was unreasonable to expect tour operators to take into account "the theoretical possibility of a new tax" when offering such brochure guarantees.

The new tax – £5 for passengers on flights to British and European Union destinations and £10 elsewhere – was attacked by Labour and Liberal Democrat MPs.

The tax was estimated to yield about £115m in 1994-95 had it been introduced on October 1. This has been revised to £90m.

Travel companies welcomed the postponement, though some said they would continue to argue for the tax's abolition.

The Association of British Travel Agents said imposing the tax from the beginning of October could have driven some smaller, specialist tour operators out of business. Companies would have had to absorb the cost of the tax themselves. Abta said smaller companies could have found this ruinous.

The Federation of Tour Operators, whose members account for 90 per cent of overseas package holidays sold in the UK, welcomed the postponement but added: "We remain opposed to the principle of a travel and tourism tax. We hope that this tax will be short-lived."

Survey predicts 17% increase in UK consumer spending

By Diane Summers, Marketing Correspondent

Consumer spending in the UK is expected to increase by 17 per cent in real terms over the next five years, Mintel, the market research organisation, says in a report published today.

Mintel says the largest spending growth sectors are likely to be household and garden products, medical and school fees, and insurance and pensions.

Falls in unemployment and base interest rates and low levels of inflation should lead to higher disposable incomes between 1993 and 1998, with spending on home and security taking priority as the recession ends, says Mintel.

An upturn in the housing market is forecast to stimulate spending on garden products (up 36 per cent over the next five years), and hardware (35 per cent). Home purchase and alterations expenditure is set to rise by 30 per cent.

Spending on medical and education fees is likely to increase by 31 per cent, while insurance and pensions spending is forecast to grow by 28 per cent. Mr Peter Ayton, Mintel's head of research, said there was increasing public concern about the need to prepare for old age and ill health "in the face of dwindling government resources".

The popularity of home entertainment will be maintained over the period, with sales of brown goods, such as TVs and hi-fi equipment, set to increase by 35 per cent, says the report. Healthier lifestyles will encourage spending on fruit and vegetables, while soft drinks will continue to be the fastest-growing part of the drinks sector, says Mintel.

The highest growth areas in consumer spending over the past year have been: education fees; shoes, clothing and furniture repair; medical insurance; and house contents and building insurance. Expenditure in all these areas grew by more than 10 per cent in 1993, says the report.

Overall, housing accounted for the largest part of consumer spending last year, as it has in previous years. A total of £88.4bn – 22.2 per cent of household expenditure – went on housing. Next came transport (£48.8bn, 12.2 per cent of expenditure), then food eaten at home (£43.8bn, 11 per cent).

A 10-year analysis of spending patterns by Mintel shows some changes in the shape of household budgets. Spending on food eaten at home, heating, lighting and power, domestic appliances, and drink now all account for a smaller share of household budgets than in 1983. In 1983, 13.5 per cent of the budget went on food eaten at home; by 1993 this had dropped to 11 per cent.

The proportion of spending on housing has increased from 20.1 per cent to 22.2 per cent. Other household spending which increased shares include insurance and pensions, medical and educational fees, and services such as cleaning.

Over the 10-year period average gross household income increased from £12,490 to £23,533. Stripping out the effects of inflation, this represents a real increase of 14 per cent, says the report.

However, Mintel also points to a growing polarisation of income. The top-earning 20 per cent of households increased their share of Britain's total household income from 35 per cent in 1979 to 40 per cent in 1992. At the other end of the scale, the share of total income taken by the lowest earning 20 per cent of households fell from 10 per cent in 1979, to just over 5 per cent in 1992.

British Lifestyles 1994. Mintel, 18-19 Long Lane, London EC1A 9HE. £895.

More on school fees and pensions; less on drink

Source: Mintel

Britain in brief

PM to warn Tory right over unity

Mr John Major, the prime minister, is expected to warn the right-wing of the Tory party to stop undermining his leadership when he meets MPs from the right-wing 92 Group today.

The deputation, led by Sir George Gardiner, will press for promotion for up to eight right-wing ministers, half of whom would enter the cabinet.

But last night the Tory right was backing away from demands for an early cabinet reshuffle after Mr Major made clear he will not be hurried.

The group's main aim is to secure promotion for Mr Michael Portillo, chief secretary to the Treasury, who is widely regarded as the most plausible right-wing leadership contender.

Friends of the prime minister said he has agreed to meet the deputation to demonstrate that his door is open to all sections of the party. But he will tell Sir George that a reshuffle is "far from his mind".

The right believes such a reshuffle would bring fresh blood into the party leadership in advance of the local and European elections in May and June.

MCC pay-out likely in March

Creditors to Maxwell Communication Corporation may expect to receive a first pay-out from the company in March this year, a report circulated by the administrators says.

Mr Mark Homan, Mr Colin Bird, Mr Alan Jamieson and Mr Jonathan Phillips, the joint administrators to MCC from accountants Price Waterhouse, said they expected a "substantial" distribution by next month and a further during the second quarter of the year.

They placed the total amount to be distributed in the range 28p-43p in the pound, plus up to a further 8p in the pound if a series of litigation claims are successful. This represents a rise in estimated realisations from previously stated ranges of 23p-40p, reflecting greater proceeds from sales of MCC's US businesses than initial pessimistic estimates.

The report estimates that total assets available for distribution to unsecured creditors are in the range \$1.03bn-\$1.35bn, and the value of unsecured claims is in the range \$3.17bn-\$3.62bn.

Pensions warning was ignored

The government ignored warnings by pensions specialists nearly 10 years ago about the dangers of allowing personal pensions to be sold by a self-regulated life insurance industry, it has emerged.

Documents from the National Association of Pension Funds, the occupational pensions industry group, show that senior figures in the industry told the government in 1984 and 1985 that strict controls had to be placed on sales agents to prevent abuse.

Personal pensions legislation was then under consideration by the Department of Health and Social Security headed by Sir Norman Fowler. Government incentives to encourage personal pensions took effect in July 1988.

The documents have come to light as the Security and Investments Board, the City's chief regulatory watchdog, is preparing an investigation into up to 500,000 cases of individuals who were persuaded to transfer out of their employers' schemes into less attractive personal pensions.

Bank mortgage lending falls

Mortgage lending by major British banks fell by 14 per cent in December, although gross mortgage loans were at a record £19.3bn for last year as a whole, according to figures released yesterday by the British Bankers' Association.

The BBA said that gross mortgage lending amounted to £1.36bn in December, compared with £1.58bn the previous month. There was a sharper fall in the seasonally adjusted figures for net lending, which dropped from £871m in November to £733m in December.

Beaches with EU-rating 'safe'

Stomach upsets can be expected from swimming in dirty sea water – but beaches which meet European Commission standards should be safe, a government report said yesterday.

The four-year study was set up in 1989 by the environment and health departments, the Welsh Office and the National Rivers Authority – the environmental watchdog – after rising public concern about the dirtiness of beaches.

Only some 80 per cent of the UK's 458 classified bathing beaches now meet European standards according to government figures. Water companies are investing billions of pounds to comply with European rules to stop piping sewage into the sea.

Yesterday's report, the final stage in the study, which studied 16,000 holidaymakers on 8 beaches, found that Morecambe, Cleethorpes, and Ramsgate were among the beaches where bathers showed unusual rates of health problems.

However, the scientists found no link between ear, eye, nose and throat infections and the level of bacteria in the water. Instead the infections appeared to be linked to the length of time spent in the water – surfers and children who spent hours in the sea suffered particularly badly.

BT cuts foreign call costs

British Telecommunications is cutting the cost of some overseas telephone calls in the latest phase of its price war with Mercury.

From Wednesday a standard-rate call to Australasia will cost 70p a minute and a cheap-rate call 60p a minute, BT said. This will cut the cost of a five-minute, cheap-rate call to £2.92 from £3.36, representing a 13 per cent cut.

Mercury said its charges to Australasia remained cheaper at just more than 52p a minute standard rate and less than 45p a minute cheap rate.

Floods caused £1bn damage

Flooding across southern England in January caused damage estimated at £1bn, the Meteorological Office said yesterday.

Reviewing the month's weather, the Met Office said 130 flood alerts were issued by the National Rivers Authority and hundreds of households in the south and south-west were flooded.

By January 10, south Wales and southern England had received the amount of rain normally expected for the whole month.

On the neural network

British companies are waking up to the possibilities of neural computing, which enables patterns to be recognised and masses of confusing data to be analysed, according to a study prepared for the Department of Trade and Industry.

Neural compnters, with programs allowing them to "learn" from examples and comparisons, differ from conventional ones in their ability to analyse and predict rather than carry out complex calculations. Originating in US university research into the brain, they are increasingly used in industry and finance.

The DTI study, carried ont by Hi-Tech Marketing, found companies had responded encouragingly to its efforts to promote the benefits of neural compnting. Many of the 150 companies polled planned to adopt neural techniqnes, 55 per cent within a year and a further 20 per cent in two years.

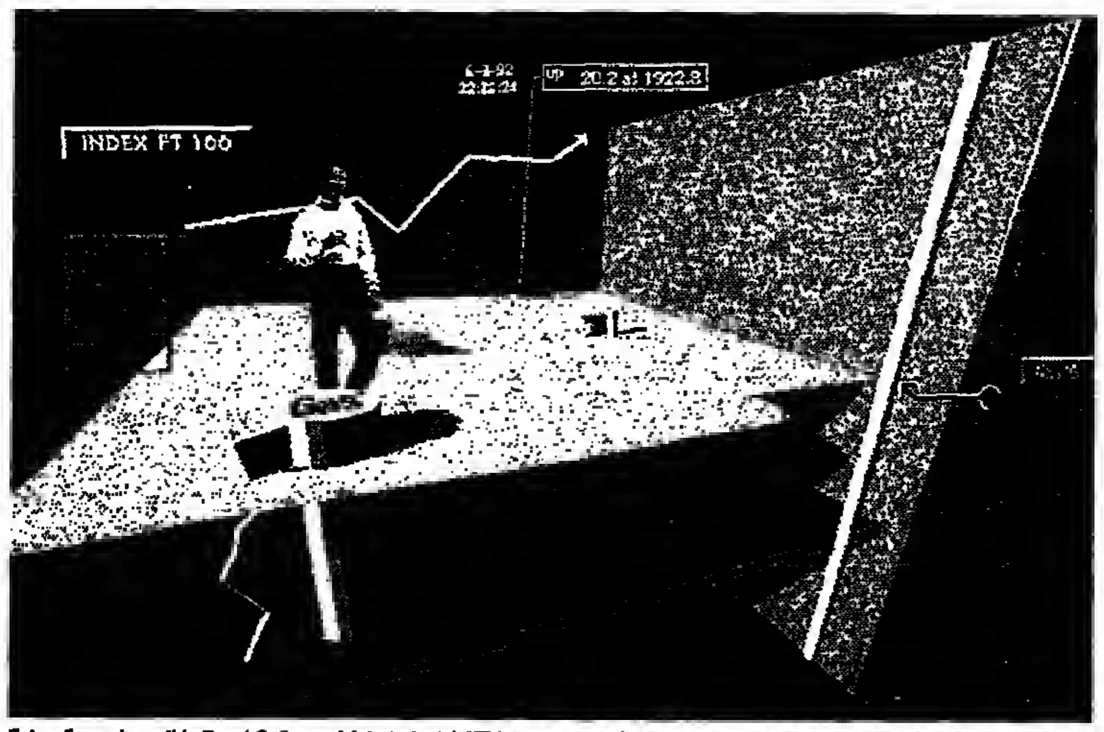
In March last year, the DTI launched a £6m programme to support seven user clubs and an awareness programme run by Touche Ross, the accountancy group. Projects now under way at the clubs include an intelligent imaging system for automatic track inspection for London Underground, a thermal model of a nuclear waste melter at British Nuclear Fuels, a data extraction system with the Sun Alliance insurance company and a vehicle sensor unit for monitoring traffic congestion.

Ray Browne, manager of the DTI's neural computing awareness programme, says many applications can be carried out on personal compnters. Neural computers – also known as neural networks, non-linear programming, adaptive solntions or adaptive programming – are not meant to replace existing systems but to enhance them, he adds. "It's a mistake to say this is a paoacea, but it certainly does open up lots of new avenues."

Andrew Fisher

A better use for design

Why are computers often so complicated to use? **Hugh Aldersey-Williams** looks at solutions



Extra dimensions: this Royal College of Art students' ATM screen gives information on personal investments. The FT-SE 100 is on the "back wall"; the rising "floor" represents passing time; columns represent investments – the size of the initial investment is shown by the area of the column, its growth by height.

Worldwide investment in digital communications and information systems is abont to soar, but many companies have been slow to appreciate just how mnch this could change their operations. As well as affecting the electronics and telecommunications sectors, the shift in industrial emphasis will also influence the shape of all but the simplest products.

In Britain, the design implications are well appreciated at London's Royal College of Art which trains students in computer-related design.

The focus is on "interaction design". Products are becoming less bulky and more interactive. Design is less about objects themselves and more about use. "In an increasingly software-driven economy, design becomes more important rather than less," says Derrick de Kerckhove, director of the McLuhan Programme in Culture and Technology at the University of Toronto. "It practically becomes the content of the product."

But interaction design has yet to make its name. Even manufacturers respected both for the styling of their products and for making them user-friendly are not yet making full use of designers in shaping their non-material aspect. "Even at Apple Computer, there are few designers involved in interaction design. It is mostly computer engineers and a sprinkling of psychologists," says Gillian Crampton-Smith, professor of computer-related design at the RCA.

Computer specialists solve problems in ways that reflect their understanding of the workings of a machine rather than its aventual users. The result is often an electronically efficient device that is difficult or unpleasant to use.

"In the past, display graphics have been done by software engineers, for example," says Stephen Hall, chief executive of IN.form, the UK design consultancy. "Their problem is that they tend to live in a very closed world of computer technology that they understand very well." Designers' relative ignorance of the technical side can be a benefit.

The roll call of disciplines that could make future electronic products less alien will surprise many business people. According to Max Whitby of the Multimedia Corporation, an associate company of the BBC that publishes multimedia products, "it's a synthesis of three disciplines: print design; television design for planning the delivery of information over time; and industrial design for the controls, etc".

These new design procedures offer some distinct business advantages. Where there is a temporal dimension, for example, it is possible to show that one design proposal is more effective than another simply by measuring the time a user takes to navigate a database to perform a desired task.

It also becomes practical to test several trial designs. The IDEO design company of the US used this strategy in the design of an infusion pump – for McGaw, the American medical manufacturer – which delivers drugs intravenously under automatic control. By mocking up instrument controls on a touch-sensitive computer display and testing them with nurses, the designers found that doses should be programmed using a volume control rather than a numerical keypad. This eliminates the risk of large errors in dosage through pressing the wrong number or by misplacing a decimal point.

This technique was not available, for example, in the early days of bank automated teller machines. People were leaving their plastic cards behind because the machines gave out the money before returning the card.

That problem arose, says Hall, who designed the latest generation of ATMs for American Express, because the machines were made by a small clique of specialist manufacturers who did not consult enough people at the design stage. ATMs now return the card first.

Many interactive products still do little to make users feel at ease – and not because the technology is fundamentally complex or hostile. Frequently, there has been no attempt to design "a fluid, immersive experience", says Whitby. "Too often the designer is brought in at tha end just to fix the icons."

Because the requisite teams have mostly not been assembled within the commercial sector, the potential for interaction design is perhaps best seen at places such as the RCA where groups of students from different disciplines can be brought together to collaborate on specific projects. On behalf of American Express, IN.form set up a research study to extend the ATM: what other services could it provide? And how could those services be made more user-friendly?

The RCA students' projects envisaged a multi-dimensional data space which could show present and past performance of stocks for personal investors. The FT-SE 100, the London stock market index, is shown on one wall of tha space for comparison. The growth of investments of different amounts is modelled by columns of different diameter which grow over time from the floor of the space.

The designer's concern is that the user approaches technology with preconceptions that must be shattered and fears that must be allayed. In the past, computer users have been willing to put up with bad design. Increasingly, however, people are becoming less indulgent.

Geof Wheelwright on an extra cost faced by purchasers of PC software

Slippery slope for user support

Personal computer software is increasingly cheaper to buy, but the real cost of using it is rising. Several leading PC software publishers have begun to charge for "premium" support services for their products, on top of the "free" support included in the purchase price of a software licence.

Lotus Development, for example, is now offering fee-based support for Lotus 1-2-3 and Ami Pro – after pioneering the approach on its enterprise-wide Lotus Notes communications system. Microsoft, too, now charges for extra support on its Microsoft Office products having established a precedent with charges on support for its Windows NT and MS-Dos operating systems.

The worry for users is that this is possibly the top of a very slippery slope and that they may find themselves having to pay for all software support.

Two recent trends are fuelling this fear: the drastic drop in PC software prices and the increasing complexity of the programs. Both are linked to the popularity of software "suite" bundles, in which several applications are bundled together at a lower price than the sum of the individual applications.

While software is getting cheaper, it is also more unwieldy. And that means that support, as well as user training, is likely to become a much more important part of a company's information technology costs. Deployment of that support is a problem which all users must tackle.

Perhaps aware that annual support contracts like those in the mainframe and minicomputer sectors might make PC users rebel, PC software makers have been clever in the way they have introduced fee-based support for applications.

In the US, Lotus, for example, offers users a choice of support packages. They may dial into a "900" toll telephone number at the rate of \$2 (£1.30) per minute (the first minute is free) for 24-hour support on its flagship Lotus 1-2-3 spreadsheet.

Alternatively, Lotus users can pay a \$129 annual support contract for applications or \$295 per year per user for Lotus Notes support. Lotus still offers basic free technical support for most of its products for the first 90 days after purchase – as well as a dial-in bulletin board and a "forum" area on the CompuServe online information service.

Microsoft offers a similar range of support services in the US – along with a more varied range of options for developers and corporations. But according to Tony Ettlinger, Microsoft UK director of product support services, these are not designed to be profit centres.

Ettlinger says they are merely designed to cover most of the costs of providing services that users – particularly those in large corporations – are demanding. "There is no way we are making a move to provide product support at a profit," he says. "In the case of Windows NT, we decided on something we thought would be a fair and reasonable charge for support."

Microsoft has also been encouraging third parties to provide support for its new Windows NT operating system. Traditional minicomputer makers such as Digital Equipment, NCR and Hewlett-Packard have all started fee-based NT support services in the past six months, with the backing of Microsoft.

Microsoft's rationale for this move is that it does not want to have to create the kind of support infrastructure that a minicomputer-level operating system such as NT demands, although it does want one to exist. By involving third parties experienced in providing this kind of support, it hopes to get the best of both worlds: a solid base of support for users and strong backing for NT by minicomputer vendors, both at little cost to Microsoft.

But if price-slashing and bundling continues at current rates, software companies may have to change the policy of not seeing support as a profit centre. It may become the only place left to make money in the PC industry.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE [illegible]
CHANCERY DIVISION
BETWEEN
IN THE MATTERS OF
MARCH ESTATES PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 19th January 1994 confirming the reduction of the capital of the above named [illegible] of the Share Premium Account by £2,755,915.50 and the Minute approved by the Court shown with respect to the capital of the company as altered the several particulars required by the above mentioned [illegible] were registered by the Registrar on 25th January 1994.
[illegible]
[illegible] Strand
London
WC2R [illegible]
Solicitors for the above named company

GREEK EXPORTS S.A.

ANNOUNCEMENT OF A REPEAT PUBLIC AUCTION FOR THE HIGHEST BID

GREEK EXPORTS S.A., established in Athens (17 Panepistimiou Street) and legally represented, in its capacity as Liquidator in accordance with article 46a of Law No. 1891/1990, supplemented by article 14 of Law No. 2000/1991 and following Decision No. 5749/1993 of the Athens Court of Appeal and subsequent to the written statement (Incoming Ref. No 93/25-1-94) of the creditor in para. 1 of the above article.

ANNOUNCES

a repeat Public Auction for the Highest Bid with sealed, binding offers for the sale, in toto, of the assets of the société anonyme named COMMUNAL COOPERATIVE COMPANY FOR THE EXPLOITATION OF LIGNITE IN THE KYMI AREA (KOI.SE.LIK S.A.), established at Kymi, Euboea, which is under special liquidation and is engaged in the exploitation of the underground lignite mine at Kymi (Harocopos), i.e. mining the lignite and selling it.

1. In order to take part in the auction, interested parties are invited to receive from the liquidator the Offering Memorandum as well as the form of the Letter of Guarantee required for the submission of a binding offer to the Kymi notary public assigned to the public auction, Mr Spyros Mangos, Tel. (0222) 22866, up to 1900 hours on 1st March 1994. Offers should be submitted in person or by a legally authorised representative.
2. The bids will be unsealed before the above-mentioned notary public on Wednesday, 2nd March 1994 at 1000 hours, with the Liquidator in attendance. Those who have submitted bids within the prescribed time can also attend.
   Bids submitted beyond the prescribed time will not be accepted or taken into account.
3. The sealed, binding offers must clearly state the price offered for the purchase, in toto, of the Company's assets and must be accompanied by a Letter of Guarantee from a bank legally operating in Greece, for the amount of twenty million drachmas (20,000,000 drs.) or its equivalent in U.S. dollars.
4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, etc, are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not.
5. The Liquidator, the Company and the creditor representing 51% of the total claims against the Company (Law 1892/90 article 46a para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
6. Prospective buyers, hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.
7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders.
8. In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative contract and fails to abide by the other obligations accruing from the present announcement, then the above-mentioned guarantee of twenty million drachmas (20,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, any actual or hypothetical loss sustained with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause and collect it from the guarantor bank.
   Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.
9. The highest bidder is deemed the one whose offer has been judged by the Liquidator and approved by the Majority Creditors as being in their best interests.
10. The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.
11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
12. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgagor's fees, rights and other expenses for drawing up topographical diagrams as required by law 651/77, etc.) are to be borne by the Buyer.

For any information, interested parties can apply to:

GREEK EXPORTS S.A., 17 Panepistimiou Street (1st floor), Tel. 30 1 32 43 111 to 30 1 32 43 115

MANAGEMENT: THE GROWING BUSINESS

David Waller on a man who exemplifies the Mittelstand

Profits rich in culture

Business school academics have found at least 200 ways of defining the German Mittelstand, the broad swathe of medium-sized, privately-owned companies which dominate corporate Germany.

Size – in terms of turnover and the number of employees – is the obvious yardstick but not the best way of defining a Mittelstand company, says Berthold Leibinger, the 63-year-old chief executive and majority shareholder in Trumpf, a machine-tools company based in Ditzingen near Stuttgart in south-west Germany.

Better, the machine-tools entrepreneur contends, is to think in terms of a philosophy of management, a network of distinct values shared by thousands of small, medium-sized and large German companies. At the core of this cluster of values are two qualities: a passionate desire for independence and a fascination with technology. Coupled together, these qualities lead to strong emotional ties between the entrepreneur and the products which his company makes, Leibinger argues.

These values have deep cultural roots, explains Leibinger, the son of an oriental art-dealer from the small village of Mühlheim-bei-Tüttlingen in the heart of the state of Baden-Württemberg.

Leibinger cites a law dating back to 1548 which saw to it that family fortunes in the south-west of Germany had to be divided equally between all children, including daughters. The very opposite of primogeniture – the system whereby family wealth was passed from father to eldest son – the system of "realteilung" prevented the accumulation of wealth. Families were obliged to set up small businesses in order to enhance meagre living standards. These were the forerunners of some of Germany's most successful industrial companies.

Baden-Württemberg is still known for its "tüftlers", amateur engineers who while away winter evenings working in their shops, attempting to solve apparently unsolvable technical problems.

"Go up to the Schwäbische Alb [a range of hills near Stuttgart] and you'll still find hundreds of these workshops," says Leibinger. The modern-day mechanics working away at weekends and evenings in cellars and garages are the successors of "tüftlers" such as Robert Bosch or Karl Benz, Baden-Württemberg entrepreneurs whose businesses evolved into some of Europe's biggest industrial groups.

Leibinger contends that the relationship between the technician and his invention is far closer than that of the financier investing money into a business in a dispassionate way in the hope of making a profit.

Berthold Leibinger: emotional ties

This distinction, he believes, helps explain the difference between the nature of Anglo-American capitalism and the German version. In the UK or the US, the bulk of industrial activity is conducted by stock-market-quoted companies, financed by profit-oriented investors; by contrast in Germany the stock-market plays a limited role in the country's economic life.

Even those German companies which are stock-market listed (664 in total compared with about 3,000 in the UK) tend to be majority-owned by families, other companies and by financial institutions – with the result that the management priorities of quoted companies tend to be little different from those of private ones.

The insulation from the pressure to generate short-term profits is one factor behind Germany's post-war success, Leibinger argues. It is also a reason why he is reluctant to bring Trumpf to the stock-market, even though with turnover of DM620m last year he could easily consider such a move.

Leibinger, who points to his son-in-law (currently production director) as a potential successor, conforms exactly to his own definition of a "Mittelständlar". A practising protestant and a self-confessed "tüftler", he comes from a family of surgical instrument makers which has lived in the same village for generations.

He has 20 patents outstanding for machine-tools and when still at university he invented the "copy nibbling" process which became a standard throughout the industry. The income from this and other inventions helped him raise the finance to buy out the Trumpf family in 1973.

Under Leibinger's direction, the company grew rapidly to become one of the world's largest manufacturers of machines for punching, nibbling, bending and forming sheet-metal. But the growth has come to a halt: so severe is the recession afflicting the sector that Trumpf made a loss last year for the first time in 40 years. The group lost DM48.9m on turnover down 9 per cent to DM620m in the year to July.

Other companies have fared far worse under the dismal combination of falling demand and high costs, their problems exacerbated by the strength of the D-Mark. Critics have looked at sectors of the economy such as the machine-tool industry and suggested that traditional Mittelstand virtues have now become a handicap.

They argue that the love of independence has blinded company managers to the need for strategic mergers and that the obsession with technology helped Mittelstand companies fall into the trap of making sophisticated products for their own sake, without taking account of customers' needs.

By implication Leibinger accepts one aspect of this criticism: part of his response to the recession has been to put a new emphasis on "value-for-money" manufacturing. "We are trying to introduce new machines with the same or improved technical features as the old ones but with a 20 to 25 per cent cost reduction," he says.

But he rejects the other element of the critique: that Mittelstand companies need to merge with one another to survive. "If the German machine-tool industry consisted of six to eight big conglomerates, rather than hundreds of independent companies, the impact of the current recession on the labour market would be far worse than it has been," Leibinger says, true to his deeply-rooted Mittelständler values. "Independent family-owned businesses add stability to the business community, especially in difficult times."

In the first of a series on exporting, Richard Gourlay looks at a DTI initiative which uses the skills of private-sector industrialists

Sailing to new markets

An increasingly competitive domestic market in the UK; a currency that some say is undervalued and therefore gives an international edge; trade barriers being dismantled in the nearest market – they all point one way. UK companies should be stepping up their exports to Europe, if not further afield.

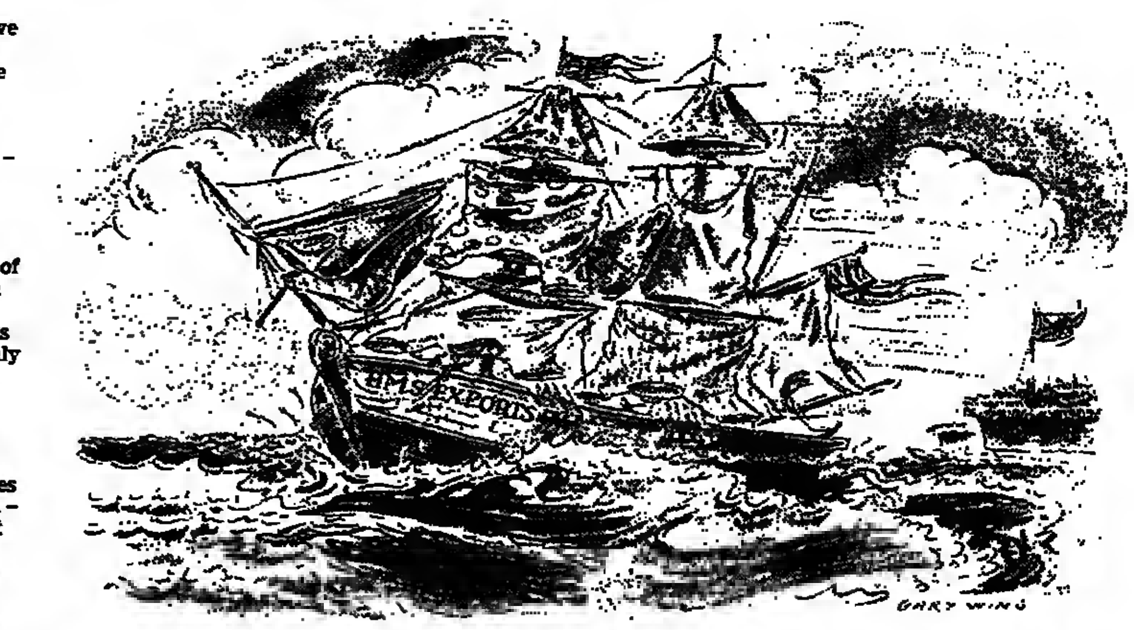
Yet, according to the Institute of Export, only 40,000 companies in the UK regularly export in any year, as measured by submissions of zero-rated VAT returns, and only double this number export on an occasional basis.

Many companies, in fact, see exports as troublesome bolt-on activities. And those that have products addressing market niches abroad – and an ability to export – are often afraid to make the first step overseas, according to Ian Campbell, director-general of the institute.

The Financial Times this week launches a series of articles addressing the issues exporters must confront. Today we look at a specific Department of Trade and Industry initiative led by industrialists seconded from the private sector who bring together potential exporters and companies in markets they know.

Next week, we will look at how banks deal with exporters. Subsequent articles will include dealing with export credit insurance, getting paid, customs and VAT issues, appointing a distributor or agent, dealing with correspondent banks and hedging of foreign exchange risk, basic market research abroad, and the DTI's other export promotion schemes.

We would also welcome readers' experiences on fax 071 873 3933.



Two years ago Exchange Textiles of Manchester was fighting for business in a buyers' market against a background of weak demand; prices barely covered overheads.

Richard Grubb, managing director, recognised that smaller textile manufacturers were dangerously dependent on the UK retail trade. "I decided that for a company to be successful in the next 10 years it must have up to 50 per cent of sales in exports."

But like many smaller companies, Grubb had no experience of exporting. He identified a possible demand for his fashionable childrens' underwear in the US and Germany, but where should he start?

Grubb says he was greatly helped by a new Department of Trade and Industry scheme called the Export Promoter Initiative, brainchild of Michael Heseltine, trade and industry secretary.

Two years later – and only four months after Exchange Textiles shipped its first set of underwear – the company is heading for exports in its first year equal to a quarter of its total £1m turnover. And as long as he gets paid he says the profit margins achieved are significantly better than in the UK.

Heseltine used the Conservative Party conference in 1992 to announce that 100 businessmen and women would be seconded from British industry to help the export effort. So far he has only convinced 64 large companies to donate the time – and the salaries – of experienced exporters to the scheme.

But there are signs the initiative could provide the much-needed private-sector drive and market experience that have been lacking from the DTI's export promotion services. "The initiative works because businessmen are working together with other businessmen, banging heads together in a way that civil servants cannot do," says Greg Shenkman, an export promoter who headed merchant bank Kleinwort Benson's operation in Japan until last year.

Each export promoter adopts a different approach in the country he or she focuses on. Shenkman's priority is to help companies which are already trying to export to Japan to establish a more effective presence. But, like other export promoters, he is also using his knowledge of the local market to sniff out potential market opportunities for which he then seeks suppliers in the UK.

His fellow export promoter, Peter Bacon, who worked in Japan for five years with Philips, the electronics group, has a different approach. Initially, he is trying to encourage import substitution by getting Japanese companies that have recently arrived in the UK to increase their local purchases.

Export Promoter differs from earlier DTI schemes in that it helps British companies make contact with the decision takers.

To some extent Bacon should be pushing against an open door because of the yen's appreciation. But, "purchasing centres are often controlled in Japan so it is difficult to get chosen as a supplier. We are targetting the [Japanese electronic manufacturers] in the UK with the biggest yen content and the biggest need to localise more".

The theory is that once initial contacts have been established, UK suppliers should have made the kind of contacts in Japan that can lead to direct exports.

Bacon will be taking 10 companies to Japan in April and will be ensuring that all the Japanese electronic manufacturers in the UK are aware of the visit.

Grubb's first contact was with Andrew Garcia, sales manager for Europe at Pilkington Glass until he became an export promoter after attending a DTI seminar on how to appoint a commercial agent.

Grubb was advised to send samples and a company profile to UK embassies in Germany. But even after the commercial secretary in Berlin put him in touch with a suitable agent, he was still faced with a mountain of questions.

He had regular meetings with Garcia about the handling of foreign exchange exposure, distribution, dealing with the agent and the demanding quality the German market required. Garcia was the first person he called after returning from Germany with his first £70,000 order and he says he will stay in touch with the DTI. "From a standing start in Germany I couldn't believe we had this order and nor could he."

BUSINESSES FOR SALE

INVITATION
FOR THE SUBMISSION OF SEALED BINDING OFFERS FOR THE ACQUISITION OF MEVIOR'S SHARES HELD BY ELEVME S.A.
REPETITION OF THE AUCTION HELD ON 22ND NOVEMBER 1993
SUMMARY INFORMATION ON MEVIOR S.A.

NAME: MINING AND INDUSTRIAL MINERALS - MEVIOR S.A.
LOCATION: ASSIROS, Pref. Thessaloniki
ACTIVITY: MEVIOR is now active in the production and marketing of:
- Feldspar
- Quartz
- Silica sand
- Quartzite
- Wollastonite

FINANCIAL DATA
Based on Balance sheet Dec. 31, 1992

		Drs.
ASSETS		
B.	INSTALLATION COSTS	60,512,881
C.	FIXED ASSETS	
I.	Intangible assets	56,613,972
II.	Tangible assets	364,834,028
III.	Participations	635,360
D.	CURRENT ASSETS	
I.	Inventory	65,955,324
II.	Receivables	66,597,115
III.	Marketable Securities	16,669,151
IV.	Cash	12,201,799
E.	INTERIM ACCOUNTS	1,138,958
TOTAL ASSETS		635,298,568
LIABILITIES AND EQUITY		
Share Capital		500,500,000
Investment Subsidies		237,197,646
Reserves		13,792,452
Retained earnings		(138,390,888)
Provisions		96,287
Short-term liabilities		17,473,265
Interim accounts		4,839,822
TOTAL LIABILITIES AND EQUITY		635,298,568

PROCEDURE
(As per Greek Law 2000/91)

1. Potential buyers are invited to receive, after signing a confidentiality agreement with ELEVME S.A., the Information Brochure describing MEVIOR's activities.
   Interested parties shall submit a binding offer, in a sealed envelope, for 393,960 shares (out of a total of 500,500 shares). It is indispensable that the offer be accompanied by a guarantee letter issued by a Bank legally operating in Greece for the sum of 25,600,000 Drs which represents 10% of the starting price of the public auction. The guarantee letter, draft of which can be obtained from ELEVME S.A., shall be submitted enclosed in a separate envelope marked "Guarantee Letter". If the bidder is a company, the offer must be accompanied by documents attesting to its legal status.
2. The offers shall be submitted on Wednesday, 2nd March 1994 between 8 a.m. and 12 noon to the notary public of Langada (Thessaloniki prefecture), Stavroula Anastasopoulou, 33 Loutron St. 2nd by-road, 1st floor, Tel. +30-394-25568.
   The offers shall be opened on the same day at 12.15 pm. The bidders may witness the opening of the offers.
3. The starting price amounts to 650 Drs per share i.e. a minimum total of 256,074,000 Drs (Decision of Court of Appeal of Thessaloniki No 1187/1993).
   3.1 A binding requirement for participation in the auction is that the highest bidder, on signature of the contract, must pay, in cash, 30% of the minimum starting price.
   3.2 The company is entitled to take out a first mortgage on the company's assets in order to secure any credit on the balance of the selling price the expense of which is to be for the highest bidder's account, or to demand from the highest bidder, for the same purpose, a letter of guarantee for the equivalent amount, issued by a bank legally operating in Greece. The seller can also, at his entire discretion, choose other means of securing settlement of the balance of the selling price.
4. All publication expenses will be for account of the highest bidder.
5. The bidders should also submit a letter concerning:
   a. Their intentions in respect of maintaining or not or increasing the number of job positions
   b. Any other proposals for further developing the company's activities such as new investments, increasing of exports etc.

To obtain the Information Brochure as well as additional data on MEVIOR, those interested can apply to the liquidators of ELEVME S.A., 15 Kifissias, Maroussi, TEL: (01) 6843520 and (01) 6843529, FAX: (01) 6843527.

Maroussi, 28 January, 1994
THE LIQUIDATORS

H & M RAYNE LIMITED (IN VOLUNTARY LIQUIDATION) AND ITS SUBSIDIARIES

As a consequence of the Creditors Voluntary Liquidation of The Rayne Group of Companies, the business and assets of the Group are for sale.

Assets include:
- ★ Shoe making machinery and equipment
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- ★ Raw materials and trimmings stock
- ★ Stock of lasts
- ★ Stocks of wholesale and retail finished shoes and handbags
- ★ Wholesale customer lists, archive shoes and access to current shoe stocks held by suppliers
- ★ The trade name "Rayne"
- ★ "Bespoke" and personalised shoe machinery and customer list.

Interested parties should address their enquiries in writing to:

Barry O Lewis FCA MSPI
Liquidator - H & M Rayne Limited
Harris Lipman, 2 Mountview Court,
310 Friern Barnet Lane, Whetstone, London N20 0LD
Tel: 081 446 9000 Facsimile: 081 446 9537

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Established two years ago in the Northern Home Counties, this very professional facility has strong positive cash flow. Recommended as a model for replication. Turnover approaching £180,000 per annum.

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The Joint Administrative Receivers, D J Stokes and M J Moore, offer for sale the business and assets of this well established provider and erector of architectural and structural metalwork fabrications, in both ferrous and non ferrous metals to the construction industry.

Principal features of the business include:
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- balustrade and staircase work provided for Sports Stadia and retail developments
- freehold factory premises of 17,000 sq ft in Rotherham
- freehold factory premises of 6,000 sq ft close to Meadowhall, Sheffield
- design, fabrication and welding facilities
- turnover of £2.3m per annum
- skilled workforce.

For further information please contact David Stokes, Joint Administrative Receiver at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Telephone: (0742) 729141. Fax: (0742) 598202. Alternatively, contact Jim Conibear at the Company's premises on telephone (0709) 371122.

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- Wide customer base including several UK grocery multiples
- Freehold premises of 17,700 sq.ft. floor space
- Approximately 30 employees

For further information please contact the Joint Administrative Receiver, Richard Hassall, KPMG Peat Marwick, St Nicholas House, Park Row, Nottingham, NG1 6FQ. Tel: 0602 483444 Fax: 0602 483401.

KPMG Corporate Recovery

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- 1,400 Employees

For further details contact the Joint Receivers: Allan Griffiths or Donald McGruther or Malcolm Shierson, Grant Thornton, 112 West George Street, Glasgow, G2 1QF. Tel: 041-332 7484. Fax: 041-333 0581.

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London W1A 1BP
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STATE PROPERTY AGENCY

ANNOUNCEMENT

Acting on behalf of the Shareholders' Consortium, CMS Management Consulting Ltd., announces that the tender submission deadline for the Tender invited in December, 1993 for the sale of a majority stake of shares in

Csepel Power Plant

(Gyepsor u.1. Budapest H-1211)
is extended by 18 days.

New tender submission deadline:
9-12 am, February 28, 1994

All other conditions of the Tender remain effective in accordance with the original Tender announcement, while the other deadlines are extended by 18 days.

Additional information can be obtained from the following sources:

Béla Simon, General Manager, head of the Shareholders' Consortium, Tel/Fax: 36-1-2768-534

Dr. József Jablonkai, General Manager, Csepel Power Plant, Tel/Fax: 36-1-2761-023

Ms. Karen McClellan, Privatisation Consultant, SPA, Tel: 36-1-2670-084, Fax: 36-1-1498-587

Zoltán Sziráczky, Consultant, CMS Ltd., Tel: 36-1-1159-294, Fax: 36-1-1355-573.

INVEST IN HUNGARY ● A SAFE EXPANSION

REPUBLIC OF POLAND
MINISTRY OF PRIVATISATION

INVITATION TO TENDER

In accordance with Article 23 of the Law on Privatisation of State-owned Enterprises, The Minister of Privatisation, acting on behalf of the State Treasury of the Republic of Poland, is extending an invitation to interested parties to negotiate the acquisition of a minimum 10% of shares of the State-owned company

Fabryka Wagonów
(Rail Vehicles Factory)
PAFAWAG Ltd, in Wrocław

Up to 20% of shares shall be offered for acquisition to company's employees on preferential terms and 5% of shares shall remain at the disposal of the State Treasury as the reserve for restitution of private ownership claims.

An information package will be made available to potential investors after their signing of the Confidentiality Agreement, which they shall receive at the moment they submit a written statement expressing their interest in the acquisition of shares. The written statement and the necessary documents should be submitted by 5 pm on February 1994 to the below mentioned representatives of the advising company, acting on behalf of the Ministry of Privatisation:

Creditanstalt Financial Advisers S.A.
LIM Center - Marriott Hotel
10 floor, suite 1019
Al. Jerozolimskie 65/79
00-697 Warszawa, Poland

to: Eugene Kotlarchuk, Coen Potters, Dariusz Haschka, Urszula Opalko
Tel: (+48/2) 630 60 22, 630 60 55
Fax: (+48/2) 630 60 03

or

Creditanstalt Investment Bank A.G.
Dr. Karl-Lueger Ring 12
A-1011 Vienna
Austria

to: Stefan Krieglstein, Barton Sidles
Tel: (43/1) 531-84-0
Fax: (+43/1) 532 9260

The Ministry of Privatisation reserves the right, at its sole discretion, to reject the offers, to renounce the negotiations, to invalidate or to prolong this invitation and to change the privatisation strategy with no legal or financial consequences.

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Principles write Box B2220, Financial Times, One Southwark Bridge, London SE1 9HL

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Rochester House
275 Baddow Road
Chelmsford CM2 7QA

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Principals or retained agents only should contact:

J P Metcalfe Associates,
The Old Oak, Bonnington,
Ashford, Kent TN25 7BP
Tel: 0303 874798 Fax: 0303 874797

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The Directors of Compshop Ltd announce their intention to sell the Company to include its Freehold Interest in a modern seven-year old self-contained office, warehouse and light industrial unit in Camberley, Surrey. Fully furnished office accommodation on two floors, to include telephone system and PCs plus fully racked warehouse facility on modern industrial estate. Building alarmed throughout. Fork lift truck. 16 parking spaces. This prime property is offered with full vacant possession. OIRO £100,000 with Purchaser to assume existing loan of £525,000. Property is currently valued at £800,000. Would consider renting entire building for £72,000 pa. Principals only should contact Mr R Jones (0276) 24040.

BUSINESS AND THE LAW

Sole authority to invalidate directive

EUROPEAN COURT

Where a national law implements a European Community directive, EC law does not prevent a national court from examining whether that national law should be applied if it is found that the provisions of the directive are invalid. However, it is for the European Court of Justice to determine whether the directive is valid or not.

This finding was the outcome of a case concerning the sale in Germany of a product – Setaderm – used to combat hair loss. The product contained a substance – 11 alpha OHP - which was banned under German law.

The company marketing Setaderm took the product off the market, but brought proceedings in the national courts for a declaration that it could lawfully manufacture and market the product on the basis that 11 alpha OHP was not harmful to human health and that its use in cosmetic products should not be banned.

The national court commissioned an expert's report, which found that 11 alpha OHP was not harmful to human health. However, prior to the delivery of the report, the 12th Directive on Cosmetic Products was published.

Article 2 of the directive provided that the marketing of products containing 11 alpha OHP was to be prohibited from January 1 1991, and that sale to the final consumer was to be prohibited from December 31 1991. The directive was implemented in Germany by a law passed on March 21 1990, more than six months before the expert's report was delivered.

The German court was convinced by the findings of its expert and thus took the view that the national legislation banning 11 alpha OHP was invalid, but recognised that this would have the effect of rendering ineffective the relevant provisions of the directive. It referred the issue to the European Court of Justice.

The ECJ was asked three questions. First, whether a national court was prevented from regarding a national law as invalid or void if and insofar as that law consisted only of provisions implementing a directive. Second, if a national court could not carry out this exercise, whether a directive had direct effect. Third, if the answer to either of the two previous questions was in the affirmative, whether the prohibition of 11 alpha OHP under the 12th Commission directive was valid.

The ECJ decided that answers to the first two questions would only be relevant to the national court if the relevant provisions of the directive were found to be valid. It thus examined the third question first.

The manufacturer of Setaderm argued that, before any product was added to the list of prohibited substances in the directive, the Scientific Committee for Cosmetology had to be consulted. In the present case, this committee had not been consulted. There had thus been a breach of an essential procedural requirement, causing the prohibition of 11 alpha OHP to be invalid.

The Commission, Germany and the UK argued the provision was valid as the committee only had to be consulted if a member state or the Commission requested it, which had not been the case here.

The ECJ found that the wording of the directive in the different language versions of the text made it unclear whether the committee had to be consulted in all cases. One interpretation was that followed by the Commission, Germany and the UK. The other interpretation was that it was for the Commission or member states to take the initiative to convene the committee, which had to be consulted in all cases.

The ECJ examined the aims of the committee and found that the purpose of consulting it was to ensure that measures adopted at Community level were necessary and adapted to the objective pursued by the directive, namely to protect human health. Consultation of the committee had, therefore, to be mandatory in all cases.

As it was not contested that the committee had not been consulted about the prohibition of 11 alpha OHP, the ECJ declared that the relevant provision of the directive prohibiting the substance was invalid; hence, it had no need to answer the first two questions from the German court.

C-212/91: Angelopharm GmbH v Freie und Hansestadt Hamburg, ECJ FC, January 25 1994.

BRICK COURT CHAMBERS, BRUSSELS

EU competition law has come under fire for wasting time. **Robert Rice** examines ways it could be improved

A burden on business

The competition rules of the European Union are unsuited to the 1990s and in need of reform. This is the view of the Confederation of British Industry concerning the current regulations, which were adopted in the 1950s, and the main administrative procedures and policy directions, which were established in the 1960s.

The CBI has produced a discussion document, with a six-point plan for reform of the Treaty of Rome rules on anti-competitive agreements and abuse of market power. Launching it last week, Mr Howard Davies, CBI director-general, said that, if the benefits of the single market were to be realised, an effective and efficient competition policy was needed.

All too often, when companies sought to clear their business plans with the European Commission in Brussels, they met with delay and legal uncertainty, he said.

Progress had been made in the handling of mergers and joint ventures in recent years, which had proved popular with European industry. But in most other respects, the CBI believed, the Commission's approach to competition law had ossified.

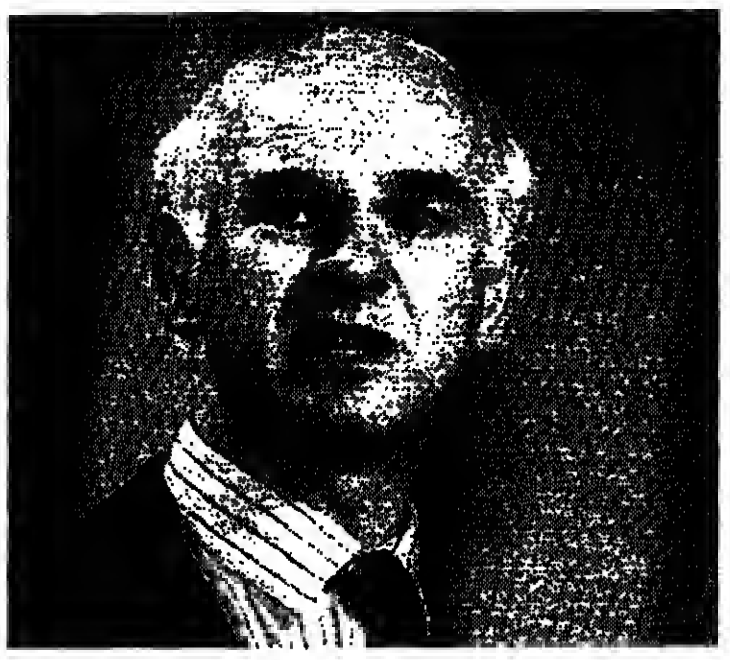
The way the regulations operate is still unclear. There is confusion over the precise scope of the prohibition on anti-competitive agreements under article 85 of the Rome Treaty, and the extent to which an exemption may be available for a particular commercial agreement.

Industry finds it difficult to judge whether an agreement is covered by the European regime. In theory, the Commission's jurisdiction extends only where an agreement has a significant and foreseeable effect on intra-state trade within the EU. In practice, the test as to whether there is such an effect is so wide as to make it virtually impossible for companies to say with any precision that the rules do not apply to any particular agreement.

Uncertainty is increased by the Commission's continued assertion of jurisdiction in cases where the effect on intra-Union trade appears insignificant.

As a result of all this, companies end up notifying agreements unnecessarily to the Commission – including agreements that do not even have a significant effect on competition, says the CBI.

Concern about the time and money being wasted led the Commission in 1986 to adopt a policy of granting block negative clearance, where certain agreements are assumed not to need vetting. Such clearance applies to agreements involving goods and services with 5 per cent or less of the market, and where the aggregate worldwide turnover of the companies involved does not exceed Ecu200m (£157m) – a *de minimis* test.



Tony Andrews

Howard Davies: an efficient and effective competition policy is needed

The intention was to reduce the burden on business of having to notify the Commission about minor agreements. In reality the initiative has been of little value to business. Because agreements can only benefit from block negative clearance where both the market test and turnover test are satisfied, companies with a worldwide turnover of more than Ecu200m still have to refer all agreements, no matter how small their share of the relevant product market.

The CBI also has concerns about the regime for gaining exemption for an agreement. The Commission has exclusive jurisdiction to grant individual exemptions, but does not have the resources to assess all anti-competitive agreements individually. To get round this, it has developed block exemptions for certain categories of agreements and developed procedural short cuts, such as comfort letters.

But neither of these approaches has proved satisfactory. Comfort letters, where the Commission informs the parties without taking a formal decision that it does not intend to take further action, lack certainty. Although the Commission is unlikely to reopen the matter without good reason, the letters are not binding on it or on national courts.

Block exemptions are subject to arbitrary and irrational limitations. For example, the 1983 Exclusive Distribution Regulation is limited to exclusive distribution agreements between two parties, relating to goods, but not services, and to goods sold for resale with no significant value added.

The biggest problems for industry arise in the handling of commercial agreements, according to Mr Laurence Elks, a partner of London solicitors Nabarro Nathanson and chairman of the CBI group which produced the discussion document. He said CBI members were "all very conscious of the vast amount of time and expense incurred dealing with absolutely innocuous agreements".

The CBI wants the Commission to "lift the burden of regulation where it is serving no purpose", he said. This would require a number of changes.

The rules should apply only where commercial agreements had a genuine effect on intra-state trade. The Commission should set out clear guidelines covering the widest possible range of circumstances in which agreements would be deemed not to have an effect on intra-state trade.

To reduce the number of insubstantial agreements caught by article 85, the turnover element of the *de minimis* test should be abolished and the market share threshold raised substantially.

And block exemption regulations should be reassessed to guide companies towards drafting agreements which do not need Commission clearance.

The CBI has fewer concerns about article 86, which covers abuse of market power. Nevertheless, Mr Elks's committee is worried about the swingeing fines that can be imposed for behaviour which was believed to be legitimate at the time it was undertaken.

It is also concerned that intellectual property rights might be undermined if the Commission develops further the notion that, under article 86, it is unlawful for rights owners to refuse to grant licences to competitors. This issue is currently before the European Court of Justice in the Magill TV listings case. The advocate-general's preliminary opinion will be delivered next week.

In future, the CBI would like to see action under article 86 taken only where dominant companies are clearly abusing their market power.

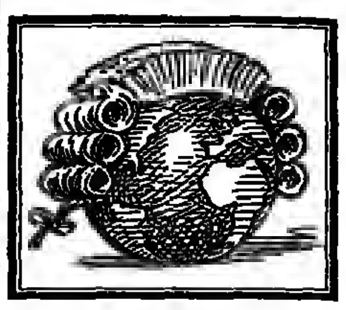
The CBI also has concerns about a number of the procedures and practices of the Brussels competition directorate, DGIV. There is a lack of safeguards ensuring that the rules of natural justice and rights of defence are respected, it says, and a lack of supervision of the fact-finding and decision-making processes.

These concerns have also been addressed recently by a subcommittee of the UK House of Lords Select Committee on the European Communities, which called for improvements in the Commission's handling of competition cases.

Such matters were not merely of British interest, said Mr Graham Mason, head of corporate and commercial affairs at the CBI. There was a general feeling among the members of Unice, the European employers federation, that competition rules needed to be reinterpreted to reduce delays and cut unnecessary bureaucracy, he said.

He did not expect every member of Unice to support all the detail of the CBI's proposals, but if the discussion document initiated a debate, pressure on the Commission to take action would mount.

LEGAL BRIEFS



Increasing resort to liability insurance

A survey of UK directors' and officers' liability insurance shows that 62 per cent of companies now have cover, compared with 46 per cent in 1991, and the total UK D&O premium has risen to between £65m-£75m, up from between £40m-£50m in 1991. Almost half the companies that responded to the Wyatt Company's 1993 survey said they had bought D&O cover because they felt their directors were at risk, with 22 per cent saying they had bought it on their insurance advisers' recommendations.

The main business sectors buying D&O cover were banking, consumer goods/foods, oil/chemical/pharmaceutical, and industrial holdings. All banking respondents, 88 per cent of consumer/food respondents and 78 per cent of oil/chemical/pharmaceutical and industrial holdings companies bought D&O insurance. Compared to 1991, the purchase of D&O cover has increased in every industrial classification except engineering.

Profits down

Law firms in central London had their worst year for more than a decade in 1993 with profits down on average by 20 per cent, according to the annual survey of law firm performance carried out by the Centre for Interfirm Comparison. Typical profits per partner of London firms fell from £100,000 three years ago to £73,000 in 1993. Half London firms suffered a fall in revenue. Litigation was the only area of work to show growth, but the modest 4 per cent rise indicated the boom in litigation was over, the centre said.

The profits of provincial firms improved on 1992, but remained below 1980s levels. Conveyancing, once the mainstay of provincial firms, accounted for only one-third of revenues.

PEOPLE

Age no encumbrance at Attwoods

Several years beyond the statutory retirement age, Peter Lane – created Lord Lane of Horsell by Margaret Thatcher in 1990 – has stepped up his duties at the international waste management group Attwoods to become non-executive chairman, at 69.

Ken Foreman, a comparative junior at 59, is to continue as chief executive, while Sir Denis Thatcher, 78, is retiring as non-executive deputy chairman.

By profession an accountant, Lord Lane, right, said yesterday that "in a perfect world one doesn't appoint a chairman of 69" but that the board is fully aware of his age.

The decision to split the chief executive and chairman's role is being made to ensure compliance with the Cadbury's committee's recommendations on corporate governance.

Foreman said yesterday that "it's not easy to find really good non-executives" and that Lord Lane's "knowledge, experience and bright mind" mean that "he has has all the requisites to be a first class chairman".

Attwoods has gone through uncomfortable times recently,

particularly concerning litigation in the US, from where it derives some 70 per cent of its revenues.

But Lord Lane said that a settlement with Eastern Waste Industries, a US subsidiary, plus the October 1993 sale of another US subsidiary, the loss-making metal re-cycling company Mindis, which required a £91m provision to cover the loss on disposal, had put the group in better shape to face the future. "All we need now is for the economy generally to pick up," he said yesterday.

In 1992 Lord Lane retired as a senior partner of chartered accountants BDO Binder Hamlyn and first joined the Attwoods' board in July 1992.

Among his other interests Lord Lane numbers the chairmanship of the charity Action on Addiction, and the deputy chairmanship of the outdoor advertising specialist More O'Ferrall.

He said that Attwoods is now seeking to make two new non-executive appointments, and that one of those will probably go to an American, boosting the group's representation in its most important region.

Clements' new risk

Robert Clements has been named chairman and chief executive of Marsh & McLennan Risk Capital, a wholly owned subsidiary of Marsh & McLennan Companies, the New York-based company which is the world's biggest insurance broker and insurance services group.

Clements, 61, is regarded as one of the most innovative thinkers in the international insurance industry and has been associated with Marsh & McLennan's backing for new reinsurance ventures in Bermuda such as ACE, EXEL and Mid-Ocean.

He joined Marsh in 1959 and has for many years headed the group's worldwide insurance broking operations.

He has been president of the parent company since 1992, a position he will now relinquish.

Marsh McLennan Risk Capital was formed in 1992 to manage and develop Marsh & McLennan's insurance market-making activities.

Clements says it will invest in start-up operations in the industry and make "friendly investments in existing insurance and reinsurance ventures where it believes it can increase shareholder value."

Friedman moves from Stoy to Arthur Andersen

Brian Friedman is joining Arthur Andersen, the UK's fourth largest accountancy firm, after jumping ship from Stoy Hayward, the tenth.

Friedman, who said his move from Stoy was "amicable", will head a new pay and employee benefits practice, drawing on his experience as head of Stoy Benefit Consulting.

The move is significant because his role will be to help build up the discipline for the firm around the world and not just in the UK.

Most Andersen disciplines have by contrast been led from the US, where the firm was founded. The UK practice recently took the lead in developing a worldwide insolvency practice.

Jim Wadia, Andersen's managing partner in the UK, expects the UK employee benefits' practice to be billing more than £3m within two years; and the worldwide practice $15m-18m.

Andersen already carries out similar work in France, Spain and the US. It was the first UK accountancy firm to devise its own profit-related pay scheme for staff, since mirrored by other firms including Stoy.

The UK team working with Friedman will include 20 professional staff drawn from the tax and other existing practice areas, and is likely to begin hiring new staff.

■ Rebecca Cotterell, buying and merchandising director for Burton Retail, has been appointed md of SEARS Childrenswear division.

■ Victor Maundrell, a director of The MORGAN CRUCIBLE COMPANY, has been appointed chairman of its technical ceramics division on the retirement of Brian Jones, who remains non-executive chairman of Morganite Australia. Peter Muldowney, president of Morgan Chemical Products Inc, succeeds Maundrell as chairman of the speciality materials division.

■ Ian Barber is appointed head of finance at RAILTRACK PROPERTY; he moves from Cray Research.

■ Roger Partington, formerly UK marketing director of Nestlé, has been appointed marketing director of SAFEWAY STORES.

■ Alan Begg has been appointed md of T&N Technology; he moves from BP.

Ian Macpherson, a leading figure on the Scottish corporate scene, has died at the age of 57. He had been suffering from a brain tumor since last autumn.

Macpherson, a big and exceptionally good-natured man, was until recently chairman of two quoted Scottish companies, Watson & Philip and Low & Bonar, both based in Dundee, before resigning due to ill health.

After his education at Morrison's Academy in Crieff, Perthshire, Macpherson trained as a chartered accountant, then became an investment manager with the Alliance Trust in Dundee, before moving to London where was a stockbroker with W Greenwell.

He later joined Manufacturers Hanover and in 1979 became a director of the British Linen Bank, the merchant banking arm of the Bank of Scotland, first in London and then in Edinburgh.

In 1988 he left British Linen bank as deputy chief executive, and began a career in industry, becoming chief executive of Watson & Philip, the Dundee-based food distributor, where he soon afterwards took over the chair.

He is credited with taking Watson & Philip from its former marginal position in wholesale distribution into the condition of being a national player, and then transforming it into a retailer with a chain of convenience stores.

In 1990 he became non-executive chairman of Low & Bonar, the Dundee-based manufacturing company in packaging and plastics, where chief executive Jim Leng yesterday called him "a clear thinker with a great feel for business and appreciation of the future."

In 1992 he was chosen to chair Caledonian Newspaper Publishing, the company which owns the Glasgow Herald, when it was acquired by its management from Lonrho. Macpherson was also a director of the International Stock Exchange.

Macpherson, who leaves a wife and two children, moved from Edinburgh to St Andrews when he joined businesses in Dundee. His main hobby was golf and he was an energetic raiser of money for charity, particularly those connected with sport.

■ Sir Brian Kellet, chairman of UNIGATE, has died after a short illness.

■ Terry Upsall, a non-executive director of THE BERKELEY GROUP, has died.

Concert

Suave Gallic strings of the Ysaÿe

Among young and youngish string quartets, an impressive number can date their international careers from the Evian competition in Switzerland. The Ysaÿe Quartet won it in 1988, and have never looked back. The quartet has reappeared twice at the Wigmore Hall this weekend, as suave and polished as ever.

Its Saturday programme might have been designed to bonour its namesakes of former times – for Debussy's quartet had its 1893 premiere at the bands of the original Ysaÿe Quartet, and the solo violinist in the first performance of Chausson's *Concert* for violin, piano and quartet was Ysaÿe himself.

The players' enunciation was scrupulous. They twinkled softly in Debussy's scherzo instead of dancing, but produced ravishing sounds in all the rich chordal passages

The guest soloists here were Pierre Amoyal and Pascal Rogé, both determined to rescue the fustian stretches of the work with sweeping coufidence and flair.

Rogé in particular aimed at a near-Beethovenian weight; a little more than the *Concert* will quite bear, in soher truth, hut impressive while it lasted. (About 40 minutes, by the end of which Chausson has wrung his material almost dry.)

Amoyal soared and dazzled in his best style, and the whole ensemble was seamless. This was the second half of the concert; it reinforced the feeling one had in the first half, that on its own the Ysaÿe team sounds less perfectly halanced than formerly – its leader ueeds more weight to make himself felt against the strong viola and cello.

That small failing made little difference to the quartet's searching, often very beautiful accounts of the Debussy and of old Fauré's intricate, gentle quartet. The players' enunciation was scrupulous. They twinkled softly in Debussy's scherzo instead of dancing, but produced ravishing sounds in all the rich chordal passages.

If the Fauré was slightly understated (the music is almost secretive), its elaborate weavings and its sideslipping harmouies were always lucid. In Fauré's slow movement as in Debussy's, they were at their delicate, faithful best: there was a sense of magical elevatiou.

David Murray

New look at the Tate

William Packer reviews the gallery's rehang

For the fifth time running, Nicholas Serota, director of the Tate, begins his year, and ours, with a fresh trawl through the collections: and what was once a matter of high contentiou is now accepted with hut a shrug of irritation at familiarity confounded, and pleasurahle curiosity as to what new, fresh, forgotten things have been pulled out of store.

The serious point is that with works of art, as with people, even the most familiar or important are seen anew in fresh company, for good or ill. The serious question is: how far should one go in indulging such change for the sake of it, at the sacrifice of any more settled context and considaration? The answer – compromise if you like – is simply the striking of a balance between the two.

Serota's first great coup was born of his audacity in entirely re-ordering the historical sequence of the displays that he had inherited with his appointment. His second, no less radical, was the opening up again of the central axis of the Tate, the Duveen Sculpture Hall, and rededicating it to its original purpose. Once done, both changes seemed ohvious and inevitahla and, five years on, we would hardly wish them undone.

The shift of the Tudor and Stuart paintings, with which the sequence of the displays begin, from the bustle of the galleries at the front of house to the furthest corner gallery at the hack, is especially happy for the appropriate quietness and sense of permanence it affords them. They are in any case, by the very nature of the collection, less subject to constant reshuffling.

The Sculpture Halls, on the other hand, have been subject inevitably and most conspicuously of all to the annual change-around, and triumphantly so. It is in the nature of the Tate that it should hold so much more than it can ever show together, and sculpture simply presents the problem at its most acute. Turn and turn about is the only way, and with last year's Rodins now replaced by Anglo-French turn of the century academicism – Reynolds-Stephens' "A Royal Game", of Elizabeth I and Philip II at chess, dominating the entrance lobby – and minimalism giviug way to British sculpture between the wars, the contrast could hardly be more piquant. With not only Gill, Gaudier and Epstein but more obscure figures such as Frank Dobson, Leon Underwood and John Skeaping given proper recognition, Henry Moore's old claim virtually to have invented modern British sculpture is neatly rendered untenable.

But general criticism of the Serota policy is not to be dismissed altogether. There are two main wings to it: that changes have been too many and too extreme; and that the hang

Torso: a stone sculpture by Frank Dobson, 1933

itsalf has often been indulgently sparse – space where there might have been pictures. My own sense of it is that tha criticism has been met, hut only to a degree.

The hang seems a little more settled than before and certainly more comprehensive, at least on the British side from the 16th to the 19th century. The 18th century is served well enough, from Hogarth and his contemporaries to Gainsborough, Zoffany, Stubbs and Reynoids, Wright and Copley, then into the 19th century with the landscape painting of Constable, Cox, Turner, Crome and all. The pre-Raphaelites have a room to themselves, as do the high Victorians, Martin, Leightou, Orchardson, Millais and Burne-Jones – and how good to see Farquharson's sheep in a blizzard, and Frederick Walker's delightful young widow stepping out through "The Old Gate".

British aestheticism, impressionism and post-impressionism are also well served, with a room of Sargent, Albert Moore, Whistler, Steer, Sickert and Gwen John, and another of late Derain and Bonnard along with Smith, Gross – a fascinating comparison with Derain – Grant and Vanessa Bell. William Nicholson, father of Ben and, in many eyes, infinitely the more gifted painter, is rightly given a small display to himself.

But from here the prohlems start, not so much in the particular choice of what is shown, as in what is necessarily left out. From the Cubists and Vorticists in Room 14 through to the old modern side, the sense is that suddenly the Tate has run out of space. From this point the displays, room by room, are increasingly selective, even cursory, as they light upon this subject, now that - Bacon and Giacometti; a roomful of portrait heads; abstraction in the 1940s, '50s, '60s.

This is, of course, a political statement that is being made, not so obliquely. The Tate indeed ran out of space long ago. Positive initiatives have already been taken, at Liverpool and Saint Ives, and we await the decision on what might be doue at Bankside or the South Bank. But the problem remains for the moment what it has always been, that the Tate as it is has an impossible brief. We, for our part, must make up our minds just what it is we want and expect of it: our national gallery of British Art; of modern British in its international context; of international contemporary art? Yes please; all three.

The New Displays 1994: The Tate Gallery, Millbank SW1 – sponsored by British Petroleum

'Magdalen with Pearls in Hair', 1919, by Lovis Corinth in his Impressionist period

The virtues and vices of mime

Alastair Macaulay goes in search of enchantment at the London festival

Scene from 'The Quest for Don Quixote'

So why do I love mime? Because I love illusion. If someone can make me "see" a door that is not there, can "become" a different character through body language alone, he or she will have have my attention. If they can sustain that illusion, can make me feel that their behaviour has summoned up a whole imaginary world around them, then I am enchanted.

The London Mime Festival, however, may not be the best place to find the kind of mime I mean. This year's 18-day festival has just drawn to a close; I caught six performances. But the best mime I saw this January occurred elsewhere – at Coveut Garden, in *The Nutcracker*, in a performance when that great artist Stephen Jefferies played the old magician Drosselmayer, and, with miraculous economy and sincerity of movement, showed the anxiety, tenderness, solicitude, authority, and fantasy at the heart of this character.

The Mime Festival performances I saw have made me suspect that professional mimes do the worst kind of mime. Why does the prospect of a mime performance make my heart sink? Because most mime is so literal, so galumphing, so repetitious, so teenage, and – oh – so audience-directed. For the average mime performer this January, it was never enough merely to enact opening a door or riding a horse. No, sir. He had to make a hefty great business out of doing so, had to do it with sound effects, had to do it again and again, *and*, whila doing it, he had to keep turning his face to the audience, with his big eyes wide open at us, as if to say "Get this!"

I use the male preposition advisedly. Mimes tend to be male. I saw 18 mime performers this festival; only two were female. (Even Théâtre de Complicité, usually an eqnal-opportuuities employer, chose to present an all-male show this time.) Do these statistics suggest that mime would be better if more womeu were active in the field? Or that mime somehow brings out certain male tendencies of thought? (The latter, I fear.)

The Complicité three-man show, a revival of the 1984 *A Minute Too Late*, was the best work I saw. Simon McBurney's impersonation of a drab, blundering, apologising, inhibited, middle-aged little man who cannot express the grief he feels about the death of his wife was a delicious performance, and the show has several great set pieces of physical comedy.

Yet even these Complicité artists, alas, go in for some of the hello-audience cuteness and obvious shticks that so irritate me in iesser mime showe. One performar will make a darling effect by suddenly "becoming" an impersonal object like a kitchau dresser – hut then will turn his deadpan face to us (i.e. "Isn't this too funny") and then back again. McBurney has an aghast way of saying "*Oh no*" which is genuinely funny; hut he does it again, and again, and again.

I will pass over Moulin Theatre (French) and its wretched piece of sub-existential absurdism *Alter Ego*; and I have already reviewed The Right Size's heavy account of *Moose*. As for Ralf Ralf's account of *It's Staring You Right in the Face*, although it was a piece of sophisticated nonsense theatre, it was marred by the way it would flog each of its charmingly nonsensical ideas to death. (Also by its audience, which determinedly and dotingly laughed at the performers' slightest antics.)

I was curious to read that Commotion and The Institute of Curiosity and Execution would be joining forces to create *The Quest for Don Quixote*; this impressive-sounding conglomeration turned out to be a three-person show. Phelim McDermott and Julian Crouch directed and designed. I loved the way they created windmills and mountainscapes and seas and more from ordinary household implements (stepladders, a hlanket, some rope). But again, cuteness kept rearing its head; and, curiously, there was less true quixoticism here than in McDermott's own performance in Richard Jones's 1990 Old Vic staging of *The Illusion*.

The virtues and vices of mime were all evident in MTP Productions' three-man version of *The Three Musketeers*. I loved the way that three men managed to evoke uot only the four musketeers, hut also the whole dramatis personae of Dumas's novel (and Gene Kelly & Co. to hoot), I yawned through their more laboriously comic and gratuitous set pieces, I deplored the bright-eyed dear-audience mugging that kept cropping up, and I giggled happily through the campy Hollywood grands pas de deux for d'Artagnan and Constance.

And sometimes I found myself oddly thrilled. Oue brief and wordless sceue between Milady and Cardinal Richelieu was of course absurd; and yet... It was accompanied, to uncanniiy hrilliant effect, by the *Dies Irae* from Mozart's Requiem, which lent it both the religious and furious tones appropriate to Richelieu. And its few gestures went straight to the core of Dumas's novel, catching its glamour, its danger, its sense of conspiracy, even its high camp – in only a few instants. How did they suggest so mucb so quickly? When mime is economical, and audaciously musical, as here, it is like conjuring.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight, Sat, Sun afternoon: Robert King conducts Netherlande Chamber Orchestra in works by Bach, Telemann and Handel, with trumpet soloist Crispian Steele-Perkins. Tomorrow, Thurs: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Weber, Diepenbrock and Rakhmaninov, with baritone Hakan Hagegard (preceded tomorrow by free lunchtime concert). Fri: Beethoven Academie plays Beethoven, with piano soloist Ronald Brautigam. Sat afternoon: Mariss Jansons conducts Radio Philharmonic Orchestra in Chausson, Franck and Debussy. Sun evening: Nikolai Luganski piano recital. Next Mon, Tues, Fri: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra, with violin soloist Igor Oistrakh. Next Wed: Teresa Berganza (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tonight, tomorrow, Thurs: Lucinda Childs Dance Company. Fri, Sun: Hartmut Haenchen conducts Willy Decker's production of Wozzeck, with John Bröcheler and Marilyn Schmiege (in repertory till Feb 24). Feb 11: first night of Dutch National Ballet mixed bill (020-625 5455)

■ ANTWERP

deSingel Tonight: Christian Zacharias gives the second of three concerts focusing on Beethoven's Piano Concertos (final concert Feb 15). Tomorrow, Thurs, Fri, Sat: Wim Vandekeybus dance programme. Sun: Sigiswald Kuijken conducts La Petite Bande in Mozart and Haydn (03-248 3800)

■ BRUSSELS

Monnaie Tonight, Thurs, Sat: Lionel Friend conducts David Pountney's ENO production of Jonathan Harvey's 1992 opera Inquest of Love, with cast including Nan Christie, Peter Coleman-Wright, Helen Field and Richard van Allan. Feb 10, 12: concert performances of Verdi'a Otello (02-216 1211)
Palais des Beaux-Arts Tonight, tomorrow: Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in two programmes, including works by Sandström, Beethoven, Bartok and Stravinsky. Thurs: Hiroyuki Iwaki conducts Belgian National Orchestra in Marco, Szymanowski and Tchaikovsky, with violin soloist Pierre Amoyal. Fri: Dresden Kreuzchor. Sun afternoon: Jerzy Maksymiuk conducts Royal Flanders Philharmonic Orchestra in a Beethoven programme (02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY
Daniel Barenboim is piano soloist in tonight'a Mozart programme, and also conducts works by Schoenberg, Berg and Bruckner on Thurs, Fri and Sat, with soloists Peter Serkin and Pamela Frank. Vladimir Spivakov and the Moscow Virtuosi give a concert on Sun, with cello soloist Wendy Warner (312-435 6666)
CHICAGO LYRIC OPERA
The season runs till Feb 20 with La traviata, Wozzeck and Tosca. June Anderson and Roberto Alagna star in the Verdi. Wozzeck is a Barenboim-Chéreau production with Franz Grundheber and Waltraud Meier. Tosca is sung by Maria Guleghina (312-332 2244)

■ GENEVA

Grand Théâtre Feb 3, 6, 9, 12, 15, 16: Friedemann Layer conducts revival of Johannes Schaaf's staging of Fidelio, with cast led by Catherine Malfitano and Thomas Moser. Feb 13: Samuel Ramey song recital (022-311 2311)
Victoria Hall Fri: Ulf Schirmer conducts Orchestre de la Suisse Romande in Liszt, Janacek, Dvorak and Sibelius, with baritone soloist Gilles Cachemaille (022-311 2511)

■ THE HAGUE

AT&T Danstheater Tomorrow, Thurs, Fri: Nederlands Dans Theater mixed bill, including new work by Hans van Manen. Sun afternoon, Mon evening: St Petersburg Ballet, with Kirov soloists, in Swan Lake. Feb 8-12: My Fair Lady, the Lerner and Loewe musical sung in English (070-360 4930)
Dr Anton Philipszaal Thurs, Fri, Sun afternoon: G0nther Herbig conducts Hague Philharmonic Orchestra in works by Brahms, Mozart and Beethoven, with violin soloist Kaja Danczowska on Thurs and Fri, and pianist Peter Rösel on Sun (070-360 9810)

■ VIENNA

Staatsoper Maria Ewing sings tha title rola in Madama Butterfly on Thura and in Tosca on Feb 8 and 11. Repertory also includes Maria Stuarda, Salome, L'elisir d'amore and Die Fledermaus. The annual opera ball is on Feb 10 (51444 2955). Anja Silja sings in The Makropoulos Case at the Volksoper on Feb 3 and 16 (51444 2960)
Konzerthaus Tonight: Alban Berg Quartet plays Haydn and Berio. Tomorrow: André Previn conducts London Symphony Orchestra in Beethoven, Mozart and Shostakovich. Thurs: Hagen Quartet plays Haydn and Mozart. Fri: Thomas Hampson song recital (712 1211)
Musikverein Tomorrow: Clemencic Consort plays music for baroque cello by 17th century Neapolitan composers. Thurs: Martin Haselböck directs Bach'a Brandenburg Concertos on original instruments. Fri: Michael Gielen conducts Austrian Radio Symphony Orchestra in works by Apostel, Stravinsky and Skryabin, with piano soloist Markus Schirmer. Sat evening, Sun afternoon: Fabio Luisi conducts Tonkünstler Orchestra in Schoenberg and Mahler, with piano soloist Paul Gulda. Feb 23: Gidon Kremer and Martha Argerich. Feb 25, 26: Riccardo Muti conducts Vienna Philharmonic (505 8190)

■ WASHINGTON

MUSIC
● Washington Opera's repertory at Eisenhower Theater over the next two weeks consists of La fille du régiment (sung in English), Ariadne auf Naxos and Dominick Argento'a new opera The Dream of Valentino (202-416 7800)
● Zubin Mehta conducts Israel Philharmonic Orchestra in Brahms' Second and Third Symphonies tomorrow at Kennedy Center Concert Hall. Mstislav Rostropovich conducts National Symphony Orchestra on Thurs in the US premiere of Schnittke's Sixth Symphony, in a programma also featuring Eugene Istomin as soloist in Beethoven's Third Piano Concerto (repeated Fri and Sat). Radu Lupu is piano soloist with Orpheus Chamber Orchestra on Sun afternoon (202-467 4600)
● Christopher Seaman conducts Baltimore Symphony Orchestra in works by Coleridge-Taylor, Tchaikovsky and Vaughan Williams tomorrow, Thurs, Fri and Sat at Baltimore'a Joseph Meyerhoff Symphony Hall (410-783 8000)
THEATRE
● Shakespeare for My Father: Lynn Redgrave's award-winning solo show in which she uses the Bard to better understand her father, the late Sir Michael Redgrave. Opens tonight at Ford'a Theater, till Feb 27 (202-347 4833)
● Romeo and Juliet: Shakespeare'a ultimate love etory is directed by Barry Kyle at Shakespeare Theater. Till March 25 (202-393 2700)
● A Midsummer Night's Dream: Richard Mancini directs a Washington Shakespeare Company production. Till March 5 at Gunston Arts Center (703-739 9886)
● Raft of the Medusa: Joseph Pintauro's poignant and powerful play about an Aids support group who discover their differences in an explosive way. Till March 5 at Signature Theater (703-820 9771)

■ ZURICH

Opernhaus The main event this month is a new production of Handel's Alcina opening on Sat, staged by Jürgen Flimm and conducted by Nikolaus Harnoncourt, with a cast including Eva Mei and Rodney Gilfry. Repertory includes Andrea Chenier with Francisco Araiza, Lucia di Lammermoor with Edita Gruberova and Glazunov's ballet Raymonda (01-262 0909)
Tonhalle Pinchas Steinberg conducts Tonhalle Orchestra tomorrow and Thurs in works by Nielsen, Bernstein and Richard Strauss, with clarinet soloist Paul Meyer. There is also a Zurich Chamber Orchestra concert on Sat featuring works by Martinu, Rameau and Mozart (01-261 1600)
● Placido Domingo gives two performances in Zurich next week. On Mon, he joins Agnes Baltsa in a gala performance of Giordano's Fedora at the Opernhaus (01-262 0909). On Tues, he gives a popular concert at the Hallenstadion, accompanied by the Berne Symphony Orchestra (01-212 0800)

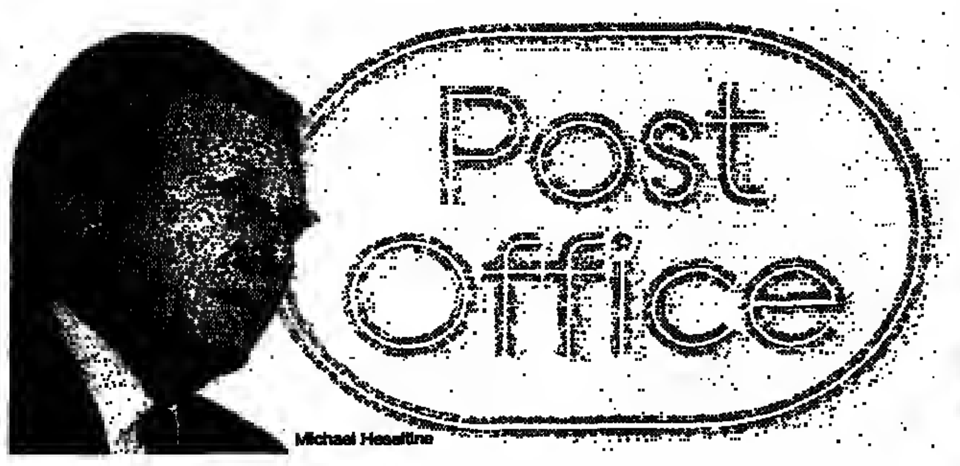
ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
MONDAY
Super Channel: FT Reports 1230.
TUESDAY
Super Channel: Waet of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430



Michael Heseltine

Roland Rudd says the uncertain future of the Post Office poses a dilemma for the government

The decision is in the post

"If the government's review of the Post Office is prolonged, the service will still be in the public sector when Prince Charles' bead is on the stamps."

The comment of a Tory backbench MP representing a rural constituency undarlines the government's confusion over its plans for what remains the UK's biggest public sector corporation. Today Mr Michael Heseltine, trade and industry secretary, gives evidence to an inquiry by the all-party Commons trade and industry committee on the future service of the Post Office.

The Commons investigation was prompted, in part, by fears that the corporation'a profitahllity was threatened hy uncertainty about the government plans.

Ministers' indecision is particularly baffling given that Mr Heseltine chose to put privatisation back on the agenda by announcing in 1992 a review of the Post Office's status. He is personally in favour of its sale.

Adding to the government'a discomfort, Post Office executives are becoming increasingly vociferous in their criticism of tha government's inaction.

Mr Edward Leigh, the former DTI minister responsible for the corporation, says the review process has gone "horribly wrong". Back in 1992 he felt the case for ending the corporation's monopoly on letter deliveries costing less than £1 was overwhelming.

His view that state owership could no longer he justified was backed by the government's own adviser, Kleinwort Benson, the UK merchant bank, which last year recommended privatisation of the Royal Mail, the letters division. It suggested leaving the post offices in the public sector. (Tbe government is already looking for a buyer for the parcels division.)

After the Kleinwort Benson report was completed, Mr Leigh was sacked by the prime minister because of his views on Enropean policy, and Mr Heseltine had a heart attack, from which he only fully recovered at the end of last year.

But such events go only a little way towards explaining the delay. More significant has been the scale of opposition to privatisation, which has surprised Mr Heseltine.

Many Conservative backbenchers – particularly those threatened by Liberal Democrats in the south west of England – are worried about the impact of privatisation on the rural postal service. Althongh the operation of 19,000 sub-post offices, has been contracted out by the Post Office – meaning that they are in effect already privatised – many in rural communities rely on a subsidy from the central Post Office. That support – which for the smallest rural post offices is worth £2,500 a year – allows them to continue acting as agents for the government in, for instance, paying state benefits.

One senior Tory backbencher reports an "alarming increase" in the number of constituents complaining to him about the future of community post offices.

Ministers privately credit the Union of Communication Workers – tbe Post Office workers' union – for waging an effective "scare campaign" against privatisation.

Enough Tory MPs bave passed on their concerns to the Whips Office, or to Prime Minister John Majorfor the DTI to realise privatisation has receded as a politically feasible option, given the government's 18-strong Commons majority.

Instead Mr Heseltine has embarked on a new approach, drawing up proposals for what some in the DTI sees as a "halfway house", whereby the Post Office would remain in the public sector but have more commercial freedom. One proposal is that the government sbould agree to the Post Office's demands for a relaxation of the restrictions preventing it from forming international joint ventures.

The corporation wants to be on a par with the Dutch post office, being privatised early this year, and the German and French post offices, which are allowed alliances with companies in the private sector. International expansion in, for instance, the courier business, could increase profitability by expanding the range of services the Post Office sells.

But even such unambitious plans are likely to face resistance. The Treasury is opposed to state-owned companies using surplus cash to invest in alliances with private companies, arguing the money could be better used helping bring down the £50bn public sector borrowing requirement.

Mr Bill Cockburn, chief executive of the Post Office, complains the corporation is being used as a "milch cow" to raise cash for the Treasury.

The Post Office's external finance limit target – the amount it has to pay the government each year – has risen to £230m in 1994-95 and is set at £210m for the following year. The Post Office has said it can meet the targets, but only at the expense of capital expenditure and investment. If the curbs are not loosened, Mr Cockburn says they may mean higher stamp prices and could threaten the corporation's 15-year history of profitability.

Mr Heseltine thus finds his options limited. Yet a number of options remain that would allow the Post Office to make more use of its assets while remaining within the constraints imposed by the PSBR:

- First, the DTI could extend the government's efforts to attract private finance into public sector projacts. The Treasury's objection to the Post Office using surplus cash for new business could be circumvented if the investment in joint ventures came from the private sector.
- Second, the DTI could propose a relaxation of the limits on the services Post Offices can offer, which are intended to prevent unfair cross-subsidisation. Currently a post office can sell sealing wax but not staplers.
- Thirdly, the Royal Mail could be allowed to deliver a wider range of prodncts, including newspapers.

Such proposals might prove both politically expedient and appealing to the Treasury because the more Post Office shops can sell, the more profitable they could be, and the less likely they are to close. The subsidy for rural post offices would continue.

Such an approach is believed to be gathering support in the DTI. It would address Post Office management's concerns. In the longer term it would leave open the option of the Post Office shops being separated from the Royal Mail and put privatisation of the latter back on to the agenda.

Joe Rogaly

Let the arguing begin

US President Bill Clinton's declaion to grant a visa to Mr Gerry Adams ls unhelpful. At tba worst it might destabilise the Anglo-Irish strategy for managing the conflict in Northern Ireland. I say "managing the conflict" rather than "peace initiative" because it is prudent to keep the small print pessimistic.

The overall strategy remains in place. It was worked out last year hy Mr John Major and Mr Albert Reynolds. The declaration by the British and Irish prime ministers, published shortly before Christmas, gives Irish nationalists an opportunity to win by peaceful persuasion the unity for their island that 25 years of bloodshed have shown cannot be achieved hy violence. The terrorists among them are, reasonably enough, asked to cease hostilities before they can take part in negotiations. The strength of the joint declaration lies in the fact that it puts the two governments on tha same side. They have not yet wavered on lts central tenets. So far so good.

Enter Mr Clinton. This is a relatively small matter for him. He has no dead to count, only votes. He is, however, an intelligent man. So on Saturday morning the US position was the same as that of Mr Major and Mr Reynolds: Mr Adams must renounce violence and accept the joint declaration before a visa is granted. The latter, a master of blarney, let his words travel far enough in the required direction, without his meaning moving an inch. That enabled tbe president of the US to cast aside *his* brain, redeem a campaign promise and appease a powerful Irish lobby. Mr Clinton capitulated on Saturday avening.

The dispute clearly divided the Irish-American community. The visa was stamped in the US embassy in Duhlin. Tha ambassador thare is Jean Kennedy Smith, sister of Senator Edward Kennedy. This was a victory for both Teddy and Senator Daniel Patrick Moynihan over a third formidable Irish-American, Mr Tom Foley. The speaker of tha lower house was armed with arguments provided by tha British ambassador to Washington, Sir Robin Renwick. For once the Renwick magic was insufficient. Perhaps lt never had a chance. The case against dealing in the open with Mr Adams has been harder to make to Americans sinca Messrs Reynolds and Major promised that, after a ceasefire, they would do just tbat. After being barred for 20 years, the leader of Sinn Féin set off for Naw York. Mr Clinton presumably falt that the senators, who face re-election this year, had greater need of his assistance than the speaker.

Mr Adams has yet to be seen urging that Irish unity can only be gained through the ballot box, minus bullets

The US is clearly not constitutionally equipped to play the game in the stonewall manner implied by the Reynolds-Major statement. Its centres of political influence are too diffuse. You cannot always say who will come out on top in a particular argument. This is a pity. A unified stance by the British, Irish and US administrations might have led even the IRA to reflect that it was hopelessly isolated. The question that the prime minister now has to ask himself is – which is the odd country out? Mr Reynolds is still on board, as his recent scholarly exposition of the democratic nature of peaceful self-determination confirms, hut his government did unilaterally remove the ban on radio and TV appearances by Mr Adams and his ilk. It might have done better to wait for a joint relaxation of media rules by both London and Dublin. The Irish also appear to have taken quiet satisfaction in the granting of a visa to the Sinn Féin leader. Is it Britain that needs to make a course correction?

The answer depends in the first instance upon how you perceive Mr Adams. The president of Sinn Féin is customarily depicted as a front-man for the IRA. His party is usually described as the bombers' political wing. The Britisb view is that he is too steaped in blood to be qualified to take part in the democratic process until there is an IRA ceasefire and he renounces the "armed struggle". The Irisb and American view appears to be a softer version of this, namely that Sinn Féin has to be drawn into the peace process, since both lt and the IRA are split. The more exposure that can be given to supposed doves like Mr Adams, the more likaly it is that they will prevail.

It would be easier to accept this proposition if there was any evidence in support of it. There is none. We are invited to take the word of Mr John Hume, the Social Democratic and Labour party member of Parliament whose work for a peaceful settlement has been admired by all. Mr Hume is an honourable man, devoted and brave in his pursuit of an end to the killing. Wa do not know what Mr Adams says behind closed doors, but to judge by his public statements he has not condemned IRA violence, let alone pressed for a ceasefire. Mr Hume has begged the IRA to suspend the slaughter whila they and Sinn Féin debate the Reynolds-Major declaration. He may bave been encouraged to so hy his private conversations with Mr Adams, hut the latter has yet to be seen deploying even tha most basic argument for peace, such as that unity can only be gained through the ballot box, minus hullets. Perhaps Senators Kennedy and Moynihan will prevail upon him to do so while he is in New York.

The British view is that the Major-Reynolds declaration will slowly achieve its desired end, which is a cessation of violence. The Northern Ireland secretary, Sir Patrick Mayhew, has avoided negotiation with Mr Adams while doing his best to maintain the moral and rational high ground. Sir Patrick will not "clarify" in the sense of altering the original meaning of the declaration, but he will make its intent clear. This war of words may continue for some time. Britain might as well lift the ban on the broadcasting of the voices of Mr Adams and his colleagues, since their words, spoken by actors, are not challengeable by live interviewers.

The principal response to the granting of a US visa to Mr Adams should be a review of British public relations. This is an araa in whicb London's expertise is at least matched by Sinn Féin, in Belfast, Dublin and New York. Mr Adams plainly cannot be silenced. Attempts to muzzle him have increasingly become counterproductive. There is no call from Dublin or Washington to *negotiate* with Sinn Féin, at least not until it calls for a ceasefire. The Major-Reynolds strategy for managing the violence therefore dictates itself. Mr Adams must be *out-argued*.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Tunnel fight will not be skimped

From Dr J G Elliott.

Sir, I am a little surprised that you should publish Michael Thompson-Noel's gratuitous insults aimed at the people of Kent in "Tunnel of Sighs" (Hawks & Handsaws, January 29). I may or may not be a "selfisb and common sort", but I see no reason "to shut up" in the present circumatances. Presumably be feels that the common yokels of Kent should touch their straw-ridden forelocks to Mr Major, and probably indeed to Mr Thompson-Noel if he ever leaves the city (or cocktail-belt?) to widen his "experience". He may be an expert on macro-engineering, but has he given any thought to our present problems?

The "venomous anger" had long since ahated with the route fixed in the corridor already ruined by the M20, and huge sums paid in compensation. Now a few Ashford councillors, without consultation, have produced a new route which devastates an entirely new corridor through one of the most beautiful areas of Kent, including this village which is considered so idyllic that the "Darling Buds of May cricket match" was filmed here! The new route has some merit in taking the new line to the new station, but would never have been suggested if our penny-pinching government had not refused to tunnel from the original route, on the grounds that it would cost £60m, a paltry sum compared with the Channel tunnel cost.

I agree with Mr T-N, this is a great project, comparable to the Great Wall of China in the time it will take to complete, so why wreck it by economising? I am sure Appius Claudius did not skimp on his paving stones. I suspect that the people of Kent will fight for this tunnel in spite of the views of Mr T-N, who would evidently be delighted if Mr Major resuscitated the Fourth Legion and sent it to Little Chart.

J G Elliott,
Coldham,
Little Chart Forstal,
Ashford, Kent TN27 0PU

Verbiage and capital losses clause should be thrown out

From Mr C J Kirman.

Sir, Mr John Newman (Letters, January 19) asks whether only he is disillusioned at how the government has ignored the need for fair legislation, simply expressed.

I am more than disillusioned not only by the government lgnoring completely your excellent leading article of December 13 on the removal of indexation on capital losses ("Trickery with capital gains"), but also by the way the one-phrase comment on this subject in the chancellor's Budget speech has been turned into almost four pages of incomprehensible verbiage in the Finance Bill.

Let us hope that the House of Commons will take a first step in the direction desired by Mr Newman by throwing out this clause and its effectively retrospective impact.

C J Kirman,
Holmshill House,
Well End,
Borehamwood,
Hertfordshire WD6 5PJ

All a matter of taste

From Mr Nicholas Khan.

Sir, I was intrigued to read in Antony Thorncroft's article on choc art ("Arts: The sickly sweet smell of success", January 29/30) that Karsten Schubert is offering to sell for £5,000 a certificate which purports to entitle the huyer to "decorate a room to a specified height with plain chocolate applied with s brush in three layers".

It may be that you number among your readers those who consider themselves to be at the cutting edge of contemporary art and who might be chewing over the purchase of a piece of choc art. Here in Belgium, eating chocolate is thought to provide a more satisfying experience than daubing it on one's walls, but this may simply be a reflection on the relative merits of British and Belgian chocolate.

Some time ago, I concelved the idea of painting the walls of my living room, not with chocolate, hnt with white paint, applied with a roller in three layers.

May I, through the good offices of your letters column, inform your readers that as an incentive to buying my artwork rather then Mr Schubert's, I am prepared to allow readers of the FT to acquire my latest *ouevre* for only £4,999. While I fear thet some of your more hard-headed readers will be aware of the old copyright lawyer's adage that there is no copyright in ideas, only in the form in which they are expressed, I believe that the Cork Street area contains a gratifying number of people who have white painted gallery walls and who possess money and credulity in equal quantities.

I would be grateful if you would forward any cheques received.

Nicholas Khan,
58 rue de la Brasserie,
1050 Brussels,
Belgium

Miniaturisation is out of hand

From Mr Alex Hardisty.

Sir, Your supplement on Mobile Computing (January 26) highlighted the trend among manufacturers to reduce progressively the size of portable computers (laptop, notebook, sub-notebook, palm-top, etc). As the owner, of average build, of a notebook, I can inform you that the speed of evolution of hand sizes in the species *homo sapiens* is not keeping up!

Alex Hardisty,
PQM Consultants,
17 Moor Street,
Chepstow,
Gwent NP6 5DB

Flawed sale of Rover Group

From Mr Christopher J Flux.

Sir, Tha announcement that the Rover Group is to be sold to BMW is beyond belief. Those of us who remember bow taxpayars' money was used to support the ailing British Leyland now wonder what reward was gained from the diversion of our hard-earned income!

It is absolutely inconceivable that tbe British government should have sold to a German competitor a company that was just becoming viable and showing the way to the European motor industry.

The government must act immediately to halt this flawed sala and insist that overall control of tha Rover Group remains in British hands.

Christopher J Flux,
1 St Matthews Close,
Salisbury,
Wiltshire,
SP1 3FJ

Balanced view is needed

From Mr Hugh Raven.

Sir, Reading tha letter from the managing director of Cory Environmental (January 29), I was deafened by the sound of grinding axes.

The fact that Mr Riddle's business depends on the continuing unsustainable use of packaging should not hlind him to a balanced view of the issues.

He accurately quotes the House of Lords select committee report with respect to packaging roast coffee. Unaccountably, he omits to quote another finding in the same report, to the effect that re-usable packaging such as returnable bottles uses one quarter of the energy of the single-use alternatives.

Could this be because they do not end up being put in a hole in the ground, and therefore providing business for his company?

Hugh Raven,
environment spokesman,
Labour Group,
The Town Hall,
Kensington W8 7NX

Only answer in Bosnia is to establish right balance of power

From G D Redfearn.

Sir, The uncbaracteristic stridency of Mr Ian Davidson's article ("Least bad option", January 26) betrays the feebleness of his case against arming Bosnian government forces. He objects that: one could not calculate in advance exactly how much help they should have or exactly who should provide it; "the only certain result . . . is that Russia and otber Slav states would step up their help to the Serbs"; and the most likely threat to peace is of open conflict with Russia.

How unconvincing each of these is. Since when was support for a good cause made conditional on exact advance costing? Remembering the continual flow of arms from Serbia to Bosnia which was reported all last year, whence comes Mr Davidson's "certainty" that it would increase? And a Russia on the brink of social collapse can hardly be capable of "open conflict" with the west.

But the main point, which Mr Davidson entirely misses, is that only a balance of power in Bosnia can lead to a peace settlement, and the only way to establish a balance of power is to arm the government forces. Obviously Serbs and Croats will only agree acceptable peace terms if they realise that they cannot win. Had that situation confronted them two years ago tha war would have been over long ago.

G D Redfearn,
The Weeths Alverton,
Penzance, Cornwall

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Tuesday February 1 1994

Don't cry over Rover

Many Britons will see the sale of Rover to Germany's BMW as a defeat. It marks the end of an independent and indigenous car industry. The deal may also seem like another step in the inexorable decline of British manufacturing.

But, while such sentiments are understandable, there is no reason to feel defeated. The damage done, largely by poor industrial relations, to Britain's car industry occurred years ago both before and while Rover and British Leyland were state-owned. Yesterday's deal is a sign that much of that damage has been repaired.

Since Rover was sold to British Aerospace, it has improved productivity, reversed its long-term erosion of market share and taken its product range up-market. BMW's willingness to pay £800m in what its executives see as the boldest strategic move in the car group's history is testimony to the strides that have been made since privatisation.

Retreating into a narrow nationalism is not an attractive option for British industry. The country's openness to foreign investment is one of its principle attractions, which has produced not only a valuable flow of finance but enabled British industry to acquire new skills.

In the motor industry, there have been large investments by Japanese groups such as Nissan and Toyota, and German groups such as Bosch. Rover itself has already learned Japanese lean production methods through its association with Honda.

Britain's openness to foreign investment has also brought rewards in other sectors. For example, the sale of ICL, the country's premier computer group, to Japan's Fujitsu has led to a revitalised corporate strategy and helped ICL to emerge as the most profitable large computer company in Europe.

Practical question

Some will be tempted to argue that Rover should have kept its independence either within the BAe group or as a stand-alone business. Such a strategy might have secured its survival but it would not have provided a platform from which to grow and flourish. The high costs of research, development and distribution mean that Rover's future was best secured as part of a partnership with another car manufacturer. Since no such British partner was available, the practical question was whether to link with BMW or Honda.

Honda had attractions. Rover might have learned more from the Japanese company given its superior productivity record by comparison with BMW. Set against this is the fact that Honda's own models are in direct competition with Rover's. In the end, the decisive factor was that BAe wanted to sell out completely to concentrate on its core aerospace and defence businesses. Honda was not prepared to buy the whole company.

Initial ideas

BMW's plans for Rover are not yet fully formed, but the initial ideas are encouraging. The German group wants to broaden Rover's production range, perhaps updating the Mini – something Rover could not have done on its own. There is also talk about giving the British group access to BMW's distribution channels and engineering expertise, while gaining economies of scale from joint component purchasing. In the long run, BMW sees Rover as central to its strategy of providing a full range of models.

Questions, of course, remain. The most important is whether BMW can, indeed, turn itself from a successful maker of luxury cars based in Germany into an international group manufacturing less expensive cars as well. Can the company's core competences be successfully applied to a higher-volume part of the car market? On the answer to this question Rover's future will largely hang.

There are also doubts over what will happen to Rover's existing relationship with Honda. At some point, it will probably have to be unwound. But Rover is currently so dependent on Honda that a hasty divorce could be damaging.

The world's motor industry remains highly competitive. The imperative to innovate, enhance productivity and fight for markets will not go away. There is no guarantee of success. But in BMW, Rover has found a first-class partner that gives it a good chance of doing so.

After Hanoi, Havana

The Clinton administration deserves applause for its efforts to lift sanctions against Vietnam and should move rapidly to take the final steps to end its embargo. It needs now to turn its attention to another legacy of the cold war: Cuba.

If the US can resolve its differences with a country with which it was at war two decades ago, it seems strange that the normalising of relations with Cuba is hardly discussed in Washington.

There are several reasons for this. Vietnam did not, at least initially, present such a challenge to America's way of life as Cuba, the former ally on its doorstep that joined the Soviet bloc.

Unlike in the case of Vietnam, there has been no important group of US companies arguing for the lifting of sanctions. Businesses have argued forcefully that non-US companies in Vietnam have been the chief beneficiaries of the US embargo, and have wanted equal treatment. There is evidence that some US businesses are becoming concerned about losing out in the Cuban market, but their worries have not been sufficiently developed to bring any pressure on policymakers.

Above all, domestic US policy considerations – and in particular the importance of the state of Florida where most Cuban exiles are based – have given the vociferous hardline opponents of the Cuban regime a near veto on the issue.

Tied hands

These groups may over time be becoming less representative of Cuban opinion in the US. But they have been skilful, winning during the 1992 election campaign the backing of both presidential candidates for the Cuban Democracy Act. This tightened the sanctions against Havana – including extending the embargo to subsidiaries of US companies based outside the US – and tied the hands of any administration to do anything about it.

The main objective of the act was "to seek a peaceful transition to democracy and a resumption of economic growth in Cuba" through the careful application of sanctions. The ultimate objective – to secure a soft landing for a Cuban transition to democracy – is indeed the correct one. The problem is that the embargo is increasing the likelihood that eventual change in Havana will be violent.

The embargo is one of Fidel Castro's greatest allies in his struggle to remain in power. It allows him to blame many of the country's economic problems on Washington – blame which should lie squarely on his own shoulders. It permits his regime to characterise any opposition as akin to treason.

Exile groups

The embargo plays into the hands of hardliners on both sides: to those in Cuba who want to avoid democracy at all costs and to those exile groups in the US whose desire for revenge against Castro overcomes all other objectives.

The consequences of violence in Cuba will thrust itself on to the US policy agenda. Yet there is no evidence that Washington has a policy prescription to help manage the transition in Cuba. It should begin now to map out in public the process whereby it aims to provide incentives for a return to democracy and the rule of law in Cuba.

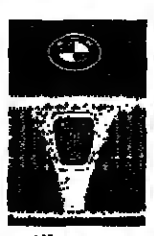
A policy change is justified by the fact that some of the economic measures already taken by the Cuban government – the partial legalisation of the dollar and the granting of permission for (limited) self-employment – imply political changes. These in turn support a modest relaxation in the embargo.

Those parts of the embargo that deal with communications should be ended – allowing the Cuban people to gain some sense of what is going on in the outside world. Restrictions covering basic food and medicines should be lifted – helping to deprive Castro of the charge that the US is either trying to starve Cuba or leave it without the ability to tackle disease.

Then Washington should make it clear that – if Cuba complies with the economic conditions for joining the International Monetary Fund and the World Bank – it will not object to Cuban membership of those two institutions. This would provide incentive to change economic policies: political changes in Cuba's overarching state are then almost bound to follow.

BMW's acquisition of Rover Group will realign the world auto industry and has benefits for both, says **Kevin Done**

A sudden burst of acceleration



BMW's takeover of Rover Group has stunned its competitors and sent shockwaves through the world auto industry. The German carmaker, traditionally a byword for fierce independence, has until now remained aloof from the waves of restructuring that have swept over global manufacturers. Now, at a stroke, the Munich-based producer has outflanked Mercedes-Benz and devised an expansion strategy that is indelibly different to the one chosen by its arch domestic rival in Stuttgart.

It has stolen Rover from under the nose of Honda, the Japanese carmaker and Rover's alliance partner for more than a decade, leaving an air of betrayal in Tokyo.

Overnight it has become one of the world's leading players in four-wheel-drive vehicles, through Land Rover, and it has pulled out of the hat a strategy for moving into small cars without the danger of diluting its highly prized brand image.

The opportunities for such significant takeovers in the world auto industry are dwindling. Most of the smaller players have been swallowed up, and BMW has had to move fast to ensure that it was not left on the starting grid.

With the marketplace fragmenting, BMW has accepted that it must move into new segments to add to its niche of high-performance executive and luxury cars. It could have continued to go it alone and develop the necessary products itself, but that would have taken time and would have been expensive.

Instead, it has chosen the riskier fast track of acquisition. Even before the dust has settled over the wreckage of the attempted Renault/Volvo merger, which collapsed in December, BMW has stepped forward with its £800m purchase of British Aerospace's 80 per cent stake in Rover and Land Rover, the last UK-owned, medium-sized vehicle maker.

Honda could hardly have been reassured by the mollifying words yesterday of Mr Bernd Pischetsrieder, BMW management board chairman, who said that he wanted the Honda/Rover relationship to continue.

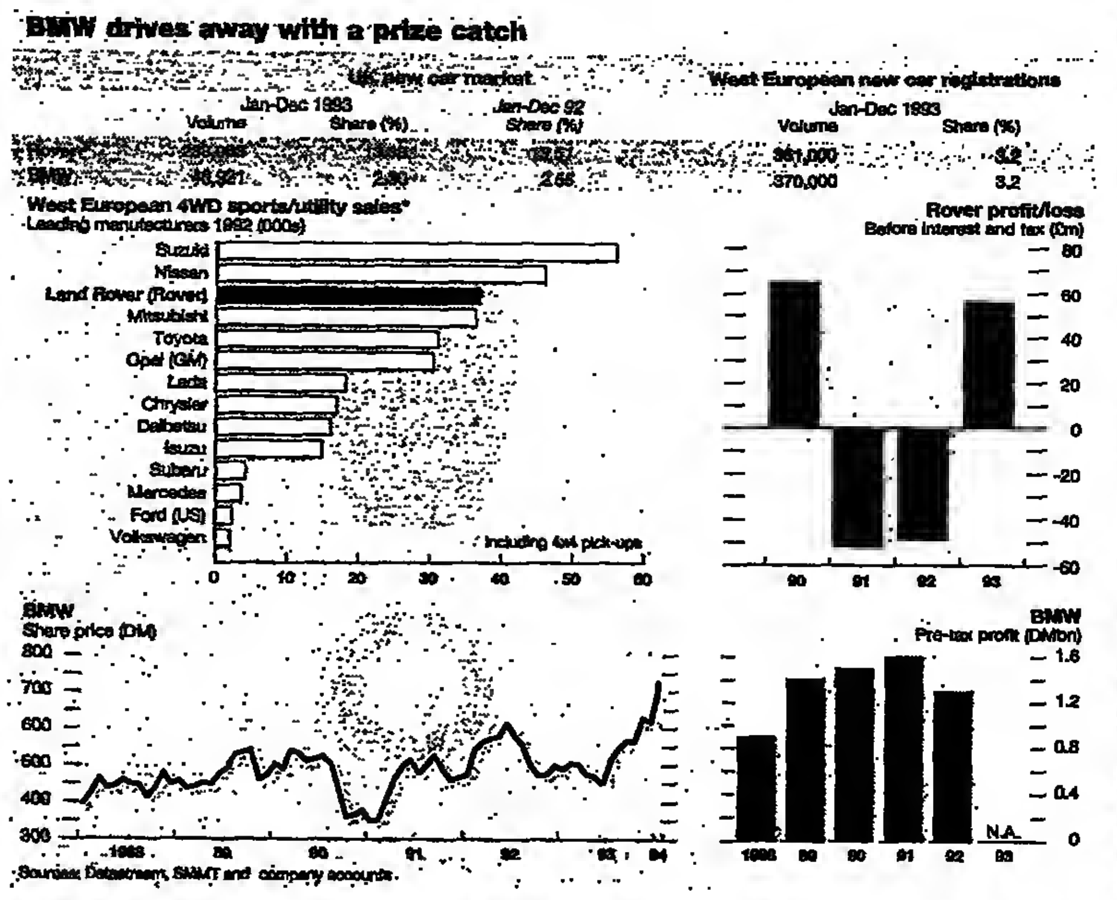
In the short term that must be so: the links between Rover and Honda are too close to be unpicked overnight, but in the longer term there is a new master in the Rover house, and Honda is left with its European strategy in tatters.

For BMW the immediate attractions of the takeover are clear. They mark out a different expansion strategy to that of Mercedes-Benz. BMW now gains:

- Control of Europe's only credible manufacturer of four-wheel-drive sports/utility vehicles in the shape of Land Rover. Long the jewel in the Rover crown, Land Rover operates in one of the fastest-growing segments of the world market.
- A viable way of entering the small car market without diluting its own precious brand image.
- Access to a low-cost European production base and control of the European carmaker that has probably learned most in recent years about Japanese production and engineering methods.
- A novel way of developing a presence in some of the fastest-growing auto markets in the Far East and in Latin America, where BMW's traditional products largely price it out of the markets.

BMW has been studying whether it should make an independent entry into the four-wheel-drive sports/utility market, currently dominated by makers such as Chrysler of the US, with its Jeep Grand Cherokee, and Ford, with the Explorer, or Japanese competitors such as Mitsubishi, Toyota and Isuzu.

It is a critical market. One of the fastest-growing sectors, with consumers increasingly switching over from traditional passenger cars, it already accounts for sales of more than 1m vehicles in the US alone.



Mr Wolfgang Reitzle, BMW research and development director, said yesterday that BMW had developed a vehicle concept for a sport/utility that it could have brought to market in about three years, but the takeover of Land Rover placed it immediately in the forefront of the sector.

Land Rover's fortunes have been blossoming in recent years and it is undoubtedly the main centre of excellence in Europe for sport/utilities with an unrivalled brand image. With the Range Rover it has developed alone the luxury end of the market, and the launch of the higher-volume Discovery at the end of the 1980s has provided it with a mainstream world competitor.

Land Rover is poised to launch the Discovery shortly in the US, where it is expected to quadruple overall Land Rover sales volumes there. Access to the much stronger BMW dealer network, where it will not compete with any existing BMW products, will allow it to expand its presence in North America much more rapidly.

BMW has pulled out of the hat a strategy for moving into small cars without the danger of diluting its prized brand image

BMW's competitors have been forced to take less attractive routes to enter this market. Mercedes-Benz, which long has struggled with its antiquated small-volume G-Wagen, has decided to develop its own mainstream sport/utility, which will be made at a new plant in Alabama in the US. The vehicle will not be ready for launch before 1997, however, and Mercedes-Benz must shoulder the development costs alone. For all the vaunted prestige of the Mercedes-Benz name, it has no pedigree in all-terrain four-wheel-drive vehicles, where Land Rover is a world leader.

Land Rover has long been coveted by rival carmakers, but they have been unable to unlock the key, because British Leyland and, more recently, British Aerospace have been unwilling to separate it from the previously chronically loss-making Rover car operations.

This is where the BMW deal breaks new ground. It is willing to take on the car operations as well. BMW has studied intensively in recent years how it should take account of the increasing trend towards the use of smaller cars, especially in densely populated and congested urban areas.

Almost in step with Mercedes-Benz, it has presented concept studies for a future small car at the world's leading motor shows in the past two years. The design exercises were to assess whether the two luxury/executive carmakers could risk going downmarket into small cars.

The answers are now clear: for Mercedes-Benz, yes, but for BMW, a resounding no, at least under its own name.

Mercedes-Benz has decided recently to build its own small car for sale under the Mercedes star. The car will be built at a volume of at least 200,000 a year – at least that is Mercedes-Benz's aspiration – at a plant in Germany. The size of the concept car was smaller than a Ford Fiesta, but in the marketplace the small cars will carry the Mercedes name and compete at Volkswagen Golf prices.

As of yesterday it became official that BMW will *not* build a small car for sale under the BMW badge. Rover in the UK and and the Rover brand will become its centre for small car development. This would ensure BMW a presence in this marketplace but would not put at risk the BMW brandname, said Mr Pischetsrieder, BMW management board chairman yesterday.

"There will be no smaller BMW car than the 3-Series," he said. "You must not over-stretch the core brand values of BMW. A small BMW would not comply with the hard core BMW image, that we have worked for 20 years to achieve."

Mr Pischetsrieder declared that he had told Mr Helmut Werner, chief executive of Mercedes-Benz, that the Stuttgart group was misguided with its small car strategy. "I told Werner he was wrong. Clearly he does not think so."

Instead BMW is now intent on developing Rover as its maker of small and medium-sized front-wheel-drive cars. All BMW's existing executive and luxury cars are rear-wheel-drive cars. With the takeover of Rover it buys in front-wheel-drive technology and, crucially, it also buys in one of the most competitive small engines in Europe in the shape of Rover's K-Series engine.

Rover has a new master, and Honda, the UK carmaker's long-time partner, is left with its European strategy in tatters

Mr Pischetsrieder was at pains to insist that under BMW rule Rover will continue its present car lines but with increased resources and with the potential for creating new car ranges. These include a replacement for the 30-year-old Mini, which has never featured in Rover's own more financially stretched product plans.

Rover already has under way a development programme for a replacement for the Metro small car due in 1995-96. This will remain in place, but the development phase will now benefit from the much greater engineering resources of BMW, which will be put at Rover's disposal. The Metro replacement was being developed alone by Rover without the involvement of Honda.

Moving up through the Rover model range, BMW will meet its most immediately sensitive challenge with Honda over the replacement car for the Rover 200/400 and its sister car, the Honda Concerto.

These existing cars were jointly developed. In Europe both Honda and Rover versions are produced at Rover's Longbridge plant in Birmingham. Under a current agreement, the new generation cars – codenamed Theta – will appear in 1995. The Rover versions will still be produced at Longbridge, but the the Honda version is due to be produced at its new plant at Swindon.

Mr Pischetsrieder made clear that BMW expects Honda to remain in this crucial joint development programme, as the Japanese carmaker would lose financially by pulling out. Rover and Honda have a joint purchasing base, many of the sheet metal panels are provided from Rover's main stamping plant at Swindon, and the joint development programme allows Honda to spread its risk over a bigger production volume with Rover involvement.

Whatever the ultimate impact of the BMW takeover, this programme appears to ensure that Honda and Rover will continue to work closely together on a project basis at least to the end of the decade.

The same can be said for the Rover 600 and the sister car the Honda Accord. These were only launched last year with production of the Accord at Honda's Swindon plant and the 600 at Rover's Cowley, Oxford plant.

Beyond these product generations it may suit Honda and Rover/BMW to go their separate ways, but economies of scale may still dictate further co-operation into the next decade.

At the top of the Rover range, the 800 is a different story. The present ageing Rover product was derived from a Honda – the old Legend executive car – but there is no joint replacement programme. Mr Pischetsrieder said yesterday that work would start immediately on a replacement. It would be likely, he said, that it would be based on the new 5-Series BMW platform and would share several important components with the new generation BMW executive car. It would also become rear-wheel-drive.

BMW wanted, too, to promote the revival of some of the Rover Group's old British makes that had fallen on hard times, said Mr Pischetsrieder. Top of the list is the plan for the reintroduction of the MG sports car marque. Rover has a small affordable MG roadster under development for launch in 1995-96, but under BMW management this programme is expected to be given extra momentum.

Even before the Rover takeover BMW had earmarked sports cars as a niche for accelerated development. Yesterday, top BMW executives confirmed industry speculation that the "secret" car it planned to build in the US at its new plant in South Carolina would also be a small roadster. Mr Pischetsrieder said that for future products there would clearly be potential for the sharing of components between their planned sports cars.

He promised that no Rover cars would be built in Germany and that no BMWs would be built in the UK. While dealer networks would not be merged, the distribution systems would eventually be merged, said Mr Pischetsrieder, with common logistics and parts supply. Single dealers may sell both marques but from separate showrooms. Certainly, for Rover, access to the BMW dealer network in Germany will give its fortunes a massive boost in a tough market.

The big success of Rover management in the past seven years has been to rescue the old British Leyland car operations from the threat of extinction and create a viable business based on the relationship with Honda.

Under BAe its long-term ownership was always uncertain, however. Honda provided the crutch during the long recovery from intensive care, but BMW can provide the long-term home it has long needed in the hostile environment of the world auto industry.

OBSERVER

Sheilas' punch-up

■ Britain has had one and so has Canada. Could a traditionally male preserve like Australia be the next English-speaking country to flirt with the idea of a woman as prime minister? True, Australia's elections are not due until 1996 but women have become hot political properties down under.

Carmen Lawrence, former premier of Western Australia, threw her hat in the ring yesterday. She is quitting state politics and wants to take over the relatively safe federal seat of Fremantle being vacated by John Dawkins, 46, the former treasurer. She is already tipped for a job in the government.

Lawrence has been urged to make the transition by Prime Minister Paul Keating's advisers, increasingly concerned at the growing popularity of Bronwyn Bishop, an ambitious Liberal party senator from Sydney's North Shore, recently promoted to the opposition's shadow cabinet. Bishop has a gift for offering no-nonsense commentary on the affairs of the day, causing fans and foes alike to draw comparisons with Britain's Baroness Thatcher and even Madonna.

Nevertheless, she regularly outpolls her colleagues. With the opposition in some disarray, "Bronnie" has been tipped to become its next leader. When pressed to explain what she stands for, one old political hand could only mutter: "Naked ambition".

Penny wise?

■ The spirit of the Raj lives on. An elderly shareholder of Titaghur, the jute manufacturing company which lost its London listing in 1990, objected vehemently to the use of the term "pee" to describe the currency of old England in a resolution being read to the annual meeting in London. "I don't like this word 'pee' – it's very disrespectful in the presence of the ladies," he said, urging the use of "the proper words".

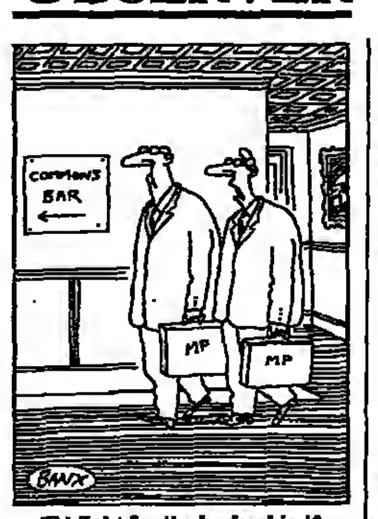
It was duly re-read as pence.

Dinner crumbs

■ Seemed a bit odd for the Corporation of London to invite the Lord Mayor of Frankfurt to last night's Mansion House dinner to celebrate the 25th anniversary dinner of British Invisibles.

After all, BI has tried its damnedest to promote London's corner in world financial markets, yet Frankfurt has carried off the trophy of hosting the European Monetary Institute.

Not that Andreas Schoeler, the main foreign guest at the dinner, was bragging about Frankfurt's victory when Observer bumped into him. "London was, and is, and will be for hundreds of years the main financial market in Europe," he said modestly. Frankfurt was simply pitching for a "small bit of it". Much too modest.



'I'd fight for the leadership if there was any'

Dressing down

■ Just when the fuss was dying over Karl Lagerfeld's Koran-inspired dress, the Oxford Union is stirring up more hornets.

Among those due this Wednesday to debate the motion "This House believes that Islam and Democracy are incompatible" are (proposing) Ray Honeyford, former Bradford headmaster, and (opposing) Kalim Siddiqui, self-proclaimed president of the Moslem Parliament of Great Britain.

In the best traditions of pre-fight hype the union says the sponsors wish to remain anonymous, but adds that one of the planned speakers – Eric Pickles, Conservative MP and former head of Bradford Council – pulled out at the last moment. No such attack of nerves has troubled Yusuf Islam – the former pop singer, once known to millions as Cat Stevens – who joins the opposition team.

Cutting edge

■ The French have a certain style when it comes to exacting revenge. Yves Saint-Laurent was last year forced by the French champagne industry to change the name of Champagne, his new perfume, in France. His response? The perfume is now back on sale in French shops with a new – if rather unoriginal – name, Yves Saint-Laurent. But the stiletto comes in the accompanying advertising campaign. It features a smiling portrait of the designer, with the slogan: "Mon parfum, un hommage aux femmes qui pétillent" – "My perfume, a tribute to women who sparkle."

Leave taking

■ The government's tortuous review of local government in England and Wales had further hiccups yesterday at London's High Court.

Cleveland and Avon county councils were seeking leave for a judicial review of the Local Government Commission's proposals for their areas. But as proceedings began, Mr Justice Harrison, due to hear the application, said he felt he should not, as he is a friend of Sir John Banham, the LGC's chairman, and has discussed local government reorganisation with him on numerous occasions. The next judge pencilled in, Mr Justice Pill, also stepped down, because of his role as vice-chairman of the Welsh Boundary Commission. Mr Justice Potts came to the rescue after lunch; and granted the councils' wish.

Out of touche

■ Palestine Liberation Organisation chairman Yassir Arafat and Shimon Peres, Israel's foreign minister, may have made a bit of a splash at the World Economic Forum in Davos, but they didn't register with everybody. George Westropp, the eyes and ears of accountants Touche Ross, swears that he overheard the following question and answer session between a delegate and his trophy wife:

Wife: "Who's that, dear?"
Delegate: "Shimon Perez."
Wife: "Sherman Persia, never heard of him."

FINANCIAL TIMES
Tuesday February 1 1994

Invesco Asset Management, Capel Cure Myers and Lehman Brothers agree £32m 'secrecy' deal

MGN settles out of court with securities houses

By John Mason and Norma Cohen

Mirror Group Newspapers' pension scheme has received £32m ($48m) from three securities houses in an out-of-court settlement of their legal dispute over assets lost in the Maxwell scandal, it was announced yesterday.

The last-minute agreement is the third in recent weeks in which financial institutions have agreed to return those assets to pension schemes formerly controlled by the late Mr Robert Maxwell.

It raises hopes that a large portion of the £440m missing from the schemes will eventually be returned.

The settlement, following a week of negotiations, avoided a complex High Court trial expected to last six months and consume several millions of pounds in legal fees.

The trial had been due to begin yesterday.

Invesco Asset Management and Capel Cure Myers of the UK, and US-based Lehman Brothers agreed to settle with the trustees, but did not admit liability.

All parties signed a secrecy agreement preventing publication of details of the three individual settlements.

It emerged later, however, that Lehman Brothers had paid the trustees £15m, Invesco £11m and Capel Cure Myers £6m.

Trustees of the Mirror Group pension scheme had filed a writ seeking £88.7m from the three securities firms, along with Bank of America and Credit Suisse. It later filed a writ seeking an additional £150m from the firms for damages.

Last month, Bank of America paid £25m into the pension scheme to settle claims against it. The case against Credit Suisse for most of the £31m outstanding is to come to court in October.

Invesco and Capel Cure Myers acted as fund mangers for the Mirror Group scheme's assets before the death in November 1991 of Mr Maxwell, while Lehman Brothers received assets as security for stock lending transactions with some of Mr Maxwell's private companies.

The deal allows the pension scheme to receive £8m in cash from liquidators for Bishopsgate Investment Management, the Maxwell-owned fund management company, which handled the bulk of the combined Maxwell company pension scheme assets.

BIM had been in dispute with Invesco over ownership of a securities portfolio.

So far, the Mirror Group scheme has recovered £65m for pensioners. The sum will reduce the amount that Mirror Group Newspapers will have to pay into its pension scheme. In its interim results last summer, the group set aside roughly £174m to meet long-term pension liabilities.

Mr Colin Cornwall, chairman of the trustees, said the actual shortfall could not be determined until an actuarial valuation had been completed.

Earlier yesterday, Mr Kevin Maxwell and Mr Ian Maxwell, the late publisher's sons, and four other former senior employees of Mr Robert Maxwell all pleaded not guilty to criminal charges brought against them by the Serious Fraud Office.

Shares dive as Polish minister is sacked

By Christopher Bobinski in Warsaw

Share prices fell sharply on the Warsaw stock exchange yesterday as investors reacted to the dismissal last Friday of Mr Stefan Kawalec, the minister in charge of privatising banks.

Sentiment was also affected by weekend warnings from Mr Jerzy Osiatynski, finance minister in the last Solidarity-led government, that the stock market "bubble" was about to burst.

Shares of the recently privatised Bank Slaski led the declines, falling the maximum permitted 10 per cent to 6.1m zloty ($280,000) yesterday. It was first quoted last week at 6.7m zloty, 13.5 times more than its public offer price.

High profits for early investors caused the political row which led to the dismissal of Mr Kawalec, deputy finance minister, and sparked off a power struggle between the governing Peasant party (PSL) and the Left Democratic Alliance (SLD) over control of banking and insurance.

Trading was heavy as most of the other 22 quoted companies also fell by up to 10 per cent, the daily limit.

Mr Waldemar Pawlak, the PSL prime minister, dismissed Mr Kawalec against the wishes of his finance minister, Mr Marek Borowski, who has demanded a written explanation. Mr Borowski, a member of the SLD, the largest party in the government, said he wanted to see a report from the official audit and control body before deciding Mr Kawalec's fate.

Mr Osiatynski, of the opposition Democratic Union, claimed at the weekend that the PSL was trying to gain control of the banking sector. "I think the prime minister is interested in having a say on the make-up of the state bank supervisory boards, which is where the jam is," he added.

Mr Kawalec, a professional economist highly regarded by foreign bankers, entered the finance ministry in 1989 with Mr Leszek Balcerowicz, a pioneer of Poland's free market reform. Opposition parties believe Mr Borowski is not so much interested in saving Mr Kawalec as in ensuring that the key banking post stays under SLD control.

Japanese market lifted by accord

Continued from Page 1

finance ministry insists an income tax cut and a sales tax increase should be decided in tandem, because it does not wish to raise government debt by issuing deficit bonds.

To add to the sensitivity of the dispute, the US is unwilling to see an early rise in consumption tax for fear this will neutralise the stimulus it wants for Japan's domestic economy.

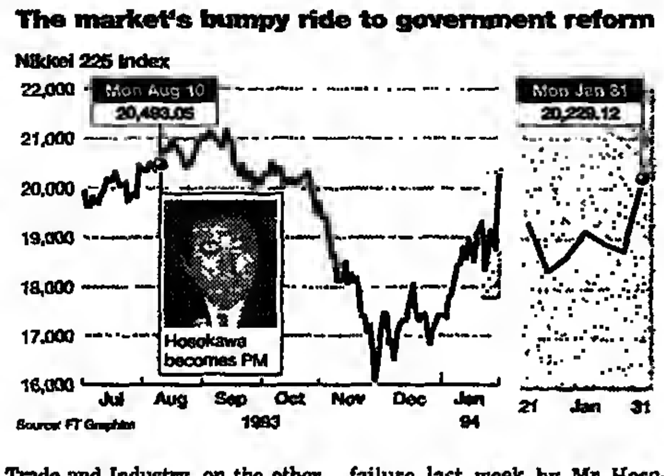
Mr Hosokawa yesterday sided with the finance ministry and said the income tax cut and sales tax rise should be decided together. Coalition members will meet tomorrow to try to settle tax policy, to allow the package to be launched a day later.

Data released yesterday meanwhile painted a mixed picture of the Japanese economy. The construction ministry said housing starts in December rose 4.9 per cent from a year before.

The Ministry of International Trade and Industry, on the other hand, said sales by wholesalers and retailers in 1993 fell 4 percentage points from the previous year, its second consecutive fall.

Domestic and overseas investors, who had earlier sold their holdings because of the apparent failure last week by Mr Hosokawa to implement the political reform bill, yesterday rushed to place buy orders. "It isn't time to be cynical or cautious about the market or the economy," said Mr Geoffrey Barker at Baring Securities in Tokyo.

The market's bumpy ride to government reform



Source: FT Graphite

Rise in US rates forecast

Continued from Page 1

Mr David Obey, Democratic chairman of the committee, praised the Fed for helping to achieve non-inflationary growth but urged Mr Greenspan not to raise rates in the near future.

The betting among Wall Street economists is that the Fed will raise rates, currently 3 per cent, by ¼-½ point in March or April.

Mr Greenspan warned that the Fed would have to move before inflationary pressures had surfaced. "By the time inflation pressures are evident, many imbalances that are costly to rectify have already developed, and only harsh monetary therapy can restore the financial stability necessary to sustain growth." However, he indicated that he saw few signs yet of nascent problems. Core consumer prices had risen 3.1 per cent between the fourth quarters of 1992 and 1993, the lowest since the early 1970s.

BMW acquires Rover

Continued from Page 1

happened in an orderly fashion over the next four or five years."

Mr Shojiro Miyake, president of Honda Motor Europe, said it was too early for Honda to start making strategy decisions – "it has been too big a shock".

However neither Mr Simpson, who is soon to leave BAe to become chief executive of Lucas Industries of the UK, nor industry analysts last night expected existing collaborative projects or component supply arrangements to be dismantled.

Collaboration currently includes Honda supplying engines for the jointly developed Rover 600/Honda Accord range, and Rover supplying the body panels for both; Honda engine supplies for some models of the smaller Rover 200/400 and the distribution of Rover's Land Rover Discovery model in Japan, badged as the Honda Crossroads.

THE LEX COLUMN

Rover unleashed

FT-SE Index: 3491.8 (+44.4)

Even five years ago the idea that Rover and BMW were complementary marques would have been laughable. Yet now BMW's purchase of Rover looks like a very smart deal. The Bavarian carmaker gets the four-wheel drive technology it lacks and the most famous off-road brand name in the world. Once Land and Range Rovers start selling through BMW's North American dealerships, the volumes generated should test the capacity of the Solihull plant. While the main Rover and BMW brands will be managed separately, savings in buying and development and the sharing of overheads in the distribution network should make Rover very attractive.

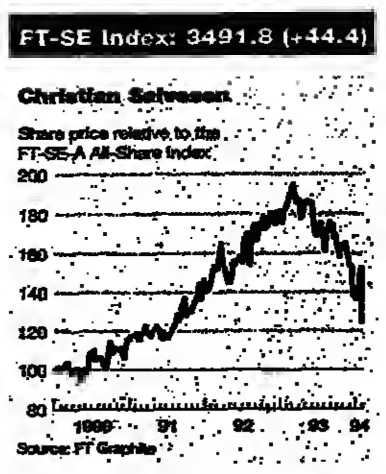
From British Aerospace's standpoint, the £800m sale price is higher than could have been achieved through a flotation. It also frees £900m of working capital which gives BAe plenty of options. The stronger balance sheet reinforces its position as a prime contractor in defence. Writing off around £200m of leases on its turbo-prop aircraft seems now almost certain, which will in turn will make it easier to find a joint venture partner for the business. Talks with Fokker on merging regional jet businesses could also get under way. Rationalisation of the defence business to increase margins – so far not even mooted – becomes possible.

But for all the increased flexibility, did BAe get full value for Rover? The price of around 0.2 times sales is in line with the quoted price of many large carmakers, but no premium is being paid for control. Perhaps BAe might have kept a minority equity stake to get the benefit of any success Rover and BMW enjoy.

Still, the certainty of a deal done is worth a lot, as Vickers found out when it tried and failed to sell Rolls-Royce Motors. BAe's new management has made good use of the opportunities it has found for itself, so the flexibility should not be squandered. And at last we know why Mr George Simpson, Rover's chairman, decided to stay on at BAe for six months before taking the helm at Lucas in April.

Christian Salvesen

Christian Salvesen



Source: FT Graphite

The small worry about Christian Salvesen is that its chapter of accidents is beginning to look like bad judgment. It entered both the rock concert business and the Spanish market at the wrong time. Now it has also mistakenly counted a contract to supply power to the town of Split as a long-term one even though it requires the Croatians to put up precious foreign exchange. Such fumbling does not help when the big worry, revealed in yesterday's profits warning, is a vital strategic one: Aggreko, its contract hire division, seems unable to deliver the growth on which the company had depended. The problem is easy to diagnose, harder to solve. Aggreko faces severe competition from Caterpillar in its big ticket US business and from independent operators in small generator supply. Curiously the squeeze developed when the US economy was supposed to be recovering, but Salvesen appears to have been living off unsustainable margins. Its finance director properly waited until December's gloomy interim statement to unload his options. With hindsight, his timing may look fortunate too.

Executive pay

It seems an accepted fact of life these days that top managers need more special incentives to perform than lesser mortals among a workforce. That being so, shareholders have an interest in the incentives really being a reward for added value. Reuters' new executive remuneration scheme, which uses as a criterion the relative performance of its shares over a protracted period of time, is a welcome contribution to the debate.

It avoids the pitfall of option schemes, which, as M&G has embarrassingly discovered, are now a trap for the unwary. Such schemes may reward managers on the general strength of the market rather than individual company performance. Equally Reuters eschews such accounting yardsticks as stated earnings per share or return on assets, which might be open to manipulation. Yet relative share price performance is also a natural indicator for a company with a habitual tendency to beat the index. Reuters has out-performed the FT-SE 100 by nearly 300 per cent since its flotation in 1984.

Indeed the scheme would have paid out maximum bonuses in five of the last six years. There may be no harm in that, since few investors will quibble with Reuters' impressive profit growth over that period. Less clear is whether its executives will be quite so happy when the company eventually stops growing, as it surely must. Its share price will hardly out-perform then and the bonuses will diminish. But, as the supermarkets are now finding, that is also a time when management is really required to perform.

BSN

Branded consumer products companies face two chief challenges – to fight off hostile retailers and private label imitators in mature markets and to exploit growth opportunities in the developing world. On both fronts, BSN is making only patchy progress, as its 1993 results make clear. In Europe, which still accounts for more than 90 per cent of sales, BSN has been hit hard by recession. Operating margins have slid by almost one percentage point as BSN cut prices and increased promotional spending to defend market share.

But the Paris bourse has been seduced by BSN's recovery appeal, pushing its shares 16 per cent higher over the past two months. BSN's restructuring efforts should bear fruit this year and consumer spending can only recover. Like many other French companies, BSN has swallowed big provisions which will help the earnings upturn when it comes.

In the longer term, BSN aims to milk strong positions in EU markets to fund expansion in central Europe and the Far East. BSN's visionary chairman, Mr Antoine Riboud, promises to double its business in emerging markets every five years. But BSN is starting the game late from a comparatively low base and has its work cut out meshing its European acquisitions. Besides, there remain considerable doubts about who can succeed Mr Riboud and fulfil his dreams. At current ratings, both Nestlé and Unilever look more certain bets.

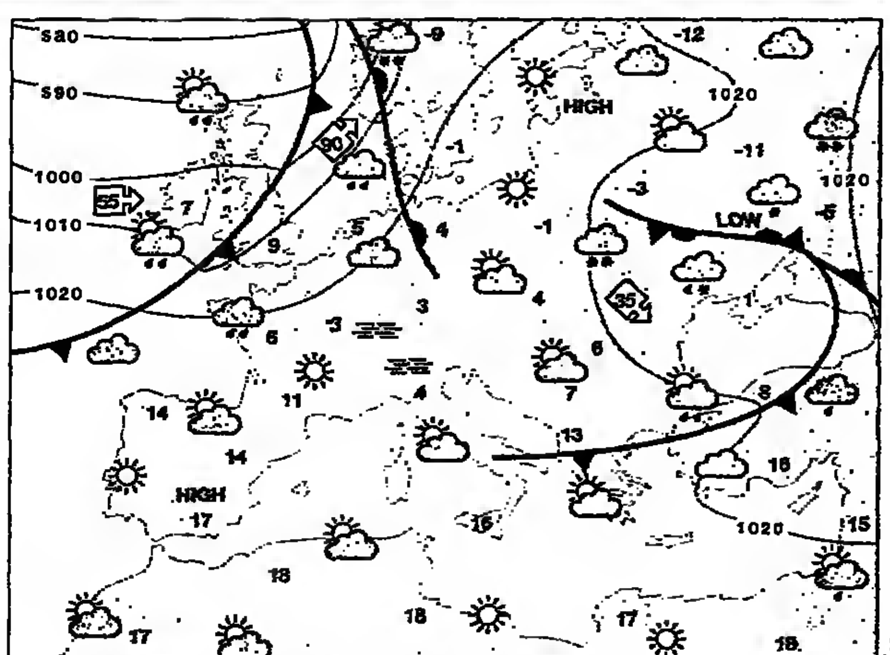
FT WEATHER GUIDE

Europe today

A cold front will move over the British Isles towards the continent bringing cloud and rain. Cool, unstable air will flow into Ireland and Scotland, producing frequent showers along the west coasts. The Benelux and north-west France will start off sunny but cloud will increase during the afternoon followed by rain. South-east France will be fair. Sunny spells will occur in Spain, Portugal and Italy although there will be fog patches in northern Italy. The Balkans will be mainly cloudy with patchy rain or snow in the mountains. A lot of rain and snow will fall in Norway, accompanied by gale or strong gale southerly winds. Greece will be dry with sunny spells.

Five-day forecast

Depressions over the Atlantic will influence western Europe and, later this week, south-western sections with rain or showers. Wednesday will bring heavy rain to the British Isles accompanied by strong gale force southerly winds. High pressure over central Europe will build into eastern and south-east Europe later this week bringing calm and dry conditions with sunny spells and higher temperatures. Northern Europe will continue unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	24
Accra	fair	28
Algiers	sun	15
Amsterdam	cloudy	5
Athens	fair	12
B. Aires	fair	31
B.ham	rain	8
Bangkok	fair	34
Barcelona	sun	13
Beijing	fair	1
Belfast	shower	7
Belgrade	fair	7
Berlin	cloudy	5
Bermuda	cloudy	24
Bogota	fair	21
Bombay	sun	28
Brussels	fair	5
Budapest	cloudy	7
C.hagen	cloudy	3
Cairo	fair	15
Cape Town	fair	25
Caracas	cloudy	27
Cardiff	rain	5
Chicago	fair	-11
Cologne	fair	5
D' Salaam	fair	31
Dakar	sun	29
Dallas	fair	4
Delhi	fair	20
Dubai	sun	26
Dublin	shower	9
Dubrovnik	fair	15
Edinburgh	hail	9
Faro	fair	17
Frankfurt	fair	2
Geneva	fair	-1
Gibraltar	fair	17
Glasgow	rain	3
Hamburg	cloudy	5
Helsinki	fair	-8
Hong Kong	fair	21
Honolulu	fair	25
Istanbul	fair	6
Jersey	rain	9
Karachi	sun	25
Kuwait	fair	22
L. Angeles	sun	21
Las Palmas	sun	21
Lima	cloudy	29
Lisbon	fair	15
London	rain	8
Lux.bourg	sun	2
Lyon	fair	0
Madeira	sun	15
Madrid	sun	13
Majorca	sun	15
Malta	fair	15
Manchester	rain	9
Manila	cloudy	29
Melbourne	cloudy	22
Mexico City	sun	24
Miami	fair	23
Milan	hazy	8
Montreal	shower	-11
Moscow	fair	-11
Munich	hazy	4
Nairobi	sun	28
Naples	fair	14
Nassau	shower	21
New York	fair	0
Nice	hazy	9
Nicosia	fair	14
Oslo	snow	-5
Paris	cloudy	4
Perth	fair	36
Prague	cloudy	3
Rangoon	sun	32
Reykjavik	snow	-1
Rio	thund	27
Riyadh	sun	26
Rome	fair	13
S. Frsco	sun	14
Seoul	fair	2
Singapore	cloudy	30
Stockholm	cloudy	-6
Strasbourg	hazy	1
Sydney	fair	25
Tangier	sun	17
Tel Aviv	shower	15
Tokyo	shower	5
Toronto	fair	-10
Tunis	sun	18
Vancouver	fair	7
Venice	fair	8
Vienna	cloudy	7
Warsaw	cloudy	0
Washington	sun	4
Wellington	cloudy	18
Winnipeg	snow	-20
Zurich	hazy	2

FINANCIAL TIMES
COMPANIES & MARKETS
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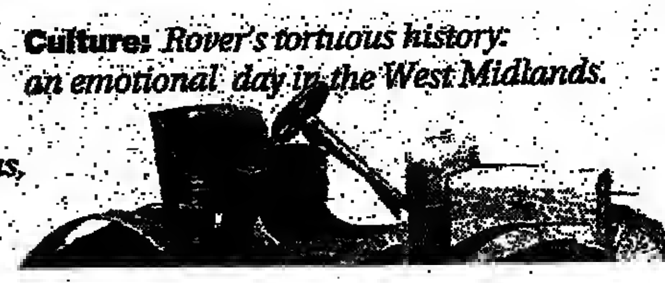
The BMW-Rover deal

Why they did it: *BAe gets its hands on a pile of cash. BMW gains foothold in low-cost country.*

Why they're angry: *Honda's European ambitions are in tatters. It wanted Rover to be more British.*

Reaction: *Suppliers dispassionate, workers suspicious, politicians disappointed.*



Culture: *Rover's tortuous history: an emotional day in the West Midlands.*

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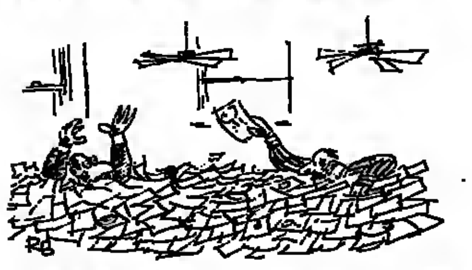
IN BRIEF

A Reuters scoop on executive pay

Reuters, the international financial information and news group, is pioneering a form of executive remuneration which links rewards of senior executives directly to the group's future returns to shareholders. Page 26

Paper mountain buries Indian brokers



The recent rush of over $1bn of foreign investment into India is threatening to overwhelm the primitive stock settlement system. Banks are being buried in a mountain of transfer forms, share certificates, cheques and revenue stamps. Page 24

Rockin' MTV
Four of the world's largest record companies – Warner Music, PolyGram, EMI Music and Sony Software – plan a cable television music video channel in the US which could provide the first significant competition to MTV. Page 23

Warning from Salvesen
Shares in Christian Salvesen fell after the UK distribution, specialist hire and food services group issued a profits warning. Page 22

Waiting for recovery
Britain's largest institutional fund managers still believe UK share prices do not reflect the full benefits of recovery, an analysis of their portfolios suggests. Page 22

Fishy business
Excessive supplies have caused the price of salmon on European wholesale markets to halve and the Scottish salmon farming industry is losing £1m of revenue a week. Page 28

Dow Corning falls again
Dow Corning fell deeper into the red in the fourth quarter. Page 23

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW (Br)	739.5	+	56.5
Bayer Vereinsbk	546	+	23.5
Colonia Konzern	1250	+	60
Degussa	438.8	+	16.8
Dresdner Bank	435.5	+	17.5
Volkswagen Prf	370	+	9.5
NEW YORK ($)			
Rises			
Alcan	24 1/4	+	1 1/4
Alcoa	79 1/4	+	3 1/4
Boeing	43 3/4	+	1 1/2
Gen Motors	61 1/4	+	2 1/4
Reynolds	53 1/4	+	2 1/2
Xerox	97 1/4	+	5

PARIS (FFr)			
Rises			
Eridania B-Say	1089	+	36
Gal Lafayette	2350	+	84
Orsan	230	+	12
Promodes	1091	+	41
Soc Generale	785	+	22
Spie Batignolles	515	+	22
TOKYO (Yen)			
Rises			
Daiwa Sec	1790	+	280
Fuji Spinning	508	+	75
Hazama Corp	537	+	80
Hitachi Steel	543	+	79
Nitsuko	1320	+	200
Tobishima	535	+	90

New York prices at 12:30.

LONDON (Pence)							
Rises				Nat Home Lns	20	+	4
Adscene	290	+	36	Parkland	263	+	23
Brit Aerospace	499	+	55	Radiant Metal	90	+	8
Carlisle Grp	50 1/2	+	6 1/2	*Radio Clyde*	570	+	42
Chemring	380	+	22	Sinclair (Wm)	240	+	30
Coltom Radio	163	+	20	Stratagem	156	+	14
Daren Estates	23	+	5	Vernon Ind	30 1/2	+	6
Drew Scientific	83	+	13	**Falls**			
Eastbrook	125	+	13	Cupid	20	-	3
CWR	920	+	107	Heritage	95	-	14
Grainger Trust	318	+	30	Salvesen (C)	314	-	62
Hartstone	77	+	9	Vickers	178	-	6
Invesco	244	+	17				
Mid-States	122	+	9				

Simon Davies recounts how BMW snatched the prize from Honda

BAe flies away from Rover with a sack-full of cash

With £800m ($1.2bn) on the table from BMW, it took the British Aerospace board less than five hours last Thursday to decide that it would quit the car industry and put an end to its five-year relationship with Honda.

Mr George Simpson, Rover's chairman and the man who believed the relationship with Honda to be "the natural path", was told to take the next flight to Tokyo to face a company which had thought its offer was a fait accompli. Six days earlier Honda had agreed to increase its stake from 20 to 47.5 per cent, pumping £165m into BAe and valuing Rover at £600m – 40 per cent less than the eventual winner.

Honda had started from a seemingly unassailable position, *given its 20 per cent stake and its* 14-year relationship with Rover. But ultimately, it was BAe's desire to find an exit from its five-year-old investment that proved the key.

BMW's assault started last September, when it identified Rover as a target that would extend its car range and achieve economies of scale in distribution, component sourcing and R&D.

Its initial offer to BAe was repulsed because of Rover's relationship with Honda. Dr Hagen Lüderitz, director of corporate planning at BMW, says BMW delivered a letter to Honda chief executive Mr Nobuhiko Kawamoto, stating its interest in Rover. No response was received.

Mr Kiyoshi Ikemi, councillor to Honda's president, denies any direct approach, claiming Honda received only indirect hints of BMW's intentions. "We weren't informed properly until Friday *last week*," he protested.

Unperturbed by the original rebuff, BMW went ahead with its scrutiny of Rover. Mr Wolfgang Reitzle, BMW's research and development director, unobtrusively visited the UK plants. Back in Germany he test drove the entire fleet. After two months, he was convinced.

On January 19, a special meeting of BMW's supervisory board discussed the prospect of making an offer for Rover. They decided unanimously to go ahead and informal negotiations were opened with the target.

Having been informed of outside interest in Rover, Honda was under pressure to act. "If we took a larger percentage, BAe said it would be a clear signal that the rest of the company was not for sale," said Mr Ikemi.

On January 21, Honda agreed to increase its stake to 47.5 per cent. Rover had become core to Honda's strategy for Europe, and the relationship had been of mutual benefit. Honda had been the key to turning round Rover's car business, providing technology and saving large amounts in R&D. This offer was also before the BAe board on the Thursday morning.

It was a fierce race to the finish. Mr Lüderitz admits the speed of the deal limited BMW's ability to perform due diligence, although he was confident the synergies justified the £800m price tag – valuing Rover at £1bn. He delivered the formal offer personally on January 26.

Neither BAe nor Honda wanted control of the British carmaker. So BMW had won

At 9.15 on the following morning, the British Aerospace board of directors sat down to decide. Before them was the prospect of selling a business which was non-core and required substantial capital spending. The BMW offer had a deadline of midnight last night. The BAe board decided it wanted out – and Mr Simpson was sent to Tokyo to see if Honda would make a better offer.

According to Mr Ikemi, it was made clear that an increased offer might be acceptable to BAe. The board of Honda decided it was not interested in control.

"If they'd committed to 49 per cent and floating in five years we would have done it", said Mr Simpson.

On Saturday BMW discussed its proposals with the British government, which had expressed concern over the impact of the deal on jobs, and about the relationship between Rover and Honda. BMW cleared the move at a meeting with Mr Tim Sainsbury, industry minister.

The final decision by BAe was made on the same day. The board had left this in the hands of Mr Richard Evans, chief executive, Mr Richard Lapthorne, finance director, Lord Hollick, non-executive director and Mr Simon Robertson, deputy chairman of the company's merchant banker Kleinwort Benson.

They met on Saturday, but with an unequivocal "no" from Honda, it was a relatively straightforward decision. Neither BAe nor Honda wanted control of the British carmaker. So BMW had won.

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Richard Evans, chief executive of BAe, steers the parent group away from its five-year investment in Rover

Fiat sees recovery after record L1,800bn loss

By Haig Simonian in Milan

Fiat, the vehicle and industrial group, yesterday issued preliminary figures for 1993 pointing to one of the biggest annual losses in Italian corporate history.

However, Mr Gianni Agnelli, the chairman, forecast that the group would break even in the current year.

Buffeted by the steep decline in demand for cars and the heavy costs of servicing its growing borrowings, the company is set to report a net loss of about L1,800bn ($1.06bn) when full figures are released in May.

The scale of the setback, marking the first consolidated loss for the group in its 95-year history, virtually rules out a dividend payment on its ordinary shares. In an interview late last year, Mr Agnelli, chairman, said he hoped it would be possible to pay holders of the group's non-voting savings stock, but indicated he would not recommend a dividend for ordinary shares.

Fiat's pre-tax loss would have been about L2,000bn but for the sale of its 47 per cent stake in La Rinascente, the big retailing group. The disposal created a gain of L500bn. After taxation on profitable operations, the net group loss will be about L1,800bn for 1993. Admitting being "at the lowest point of the crisis, both for the company and the country", the chairman forecast a recovery.

The bullish prediction has been based partly on strong demand for its new Punto small car, unveiled in November. About 200,000 Puntos have been ordered so far, with about a third of the demand coming from abroad.

Fiat confirmed its commitment to its ambitious investment programme, noting that about L9,000bn – 16.8 per cent of sales – had been spent on fixed assets and research and development in 1993. Overall sales, adjusted for the Rinascente disposal, fell by 1.7 per cent to L53,700bn.

Group debt rose to about L5,500bn on December 31, against L4,466bn at the end of 1992. However, the total would have been far higher had it not been for the group's big rights issue announced in September.

Fiat gave no breakdown of losses in individual sectors, which will only be revealed later this year. In making the positive forecast, the group indicated there would be no large asset disposals, implying that the recovery would come from the group's core car and truck operations, currently its heaviest loss-makers.

Turnover in cars, Fiat's biggest single source of revenue, fell by 11.3 per cent to L24,350bn last year, while sales of trucks dropped by 11.5 per cent to L7,120bn.

Fiat SpA, the parent company, which derives its income from dividend payments from its subsidiaries, is expected to report a modest profit of between L50bn and L100bn for 1993, against earnings of L507bn in 1992.

Lockhart appointed chief executive of MasterCard

By Patrick Harverson in New York

MasterCard International, the second-largest US credit card association, yesterday appointed former top Midland Bank executive Mr Eugene Lockhart as its new chief executive, just seven days after his predecessor unexpectedly resigned.

Mr Lockhart, who has worked at the US bank consulting group First Manhattan since he left Midland in 1992, will take over in March from Mr Alex Hart, who announced last week that he was joining the financial services company Advanta.

Mr Lockhart has been a member of MasterCard's board since 1990, and has acted as an adviser to the company's US operations for the past year. His experience in the credit card industry includes overseeing Midland Bank's large credit card business while he was chief executive of its UK operations, and working more recently with bank clients of First Manhattan on their credit card strategy.

Mr Norman Tice, chairman of MasterCard's board of directors, said yesterday: "In Gene we saw someone who had an unusual combination of line retail banking experience as well as experience in international consumer payments and technology."

The rapid appointment of a new chief executive at MasterCard will help reassure Wall Street. Mr Hart served as the company's chief executive for five years, and was widely credited with helping turn MasterCard's fortunes around after the company had lost market share throughout most of the 1980s.

Mr Lockhart said yesterday that his main role will be to ensure that MasterCard continues to win a greater share of the US credit card market. Thanks primarily to the success of "co-branded" cards – which have been launched with non-bank partners like General Motors and AT&T and which offer users discounts on those company's products – MasterCard's share of the volume of general-purpose card charges in the US has grown from 26.3 per cent in 1991 to 27.6 per cent last year.

Visa International is the industry leader with 44.9 per cent of the market.

Mr Lockhart said that he also would concentrate on building MasterCard's share of the debit card business, which is well-developed in the UK but still relatively new in the US.

BSN slips 6% to FFr3.42bn

By John Ridding in Paris

BSN, France's largest food manufacturer, yesterday announced net profits of FFr3.42bn ($570m) for last year, a fall of 5.9 per cent compared with 1992. Sales rose by just under 2 per cent to FFr70.1bn.

Mr Antoine Riboud, the group's chairman, said the results, which were in line with analysts' forecasts, reflected the resilience of the group in the face of recession in some of its principal markets. In a newspaper interview he said the performance demonstrated the strength of the company's brands, which include Danone yoghurts, Lea & Perrins sauces and Jacobs crackers.

According to Mr Riboud, the group's principal brands had maintained their market share over the past few years, despite the rise of distributors' brands and discount brands. "It has become fashionable to attack brands, to say that they only exist in advertising and publicity. But the success of our brands shows this is not so," he said.

BSN said the impact of recession had also been offset by its cost-cutting programme. Eleven industrial and commercial sites were closed during the year, while staff numbers were reduced in its beer and packaging divisions. Charges for restructuring had been taken in previous years and did not affect 1993's results, the company said.

During 1993, the group said that it had invested FFr7.5bn in developing its mineral water and fresh produce branches and in expanding its presence in central Europe and Asia. Mr Riboud outlined a strategy of continued *expansion, particularly* in these geographical areas.

"In the 1970s we became the leader in France, in the 1980s we concentrated our efforts on the EC and for the next 10 years we have fixed as our objective to become a world group," he said.

In terms of products, the company said that its fresh produce division remained the largest last year, reporting sales of FFr25.9bn, compared with FFr26.1bn in 1992. The groceries and pasta division achieved sales of FFr13.1bn, slightly more than the biscuits division. Beers and mineral waters recorded sales of about FFr6.3bn each, with the packaging division slightly higher at FFr6.6bn.

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The BMW Rover deal

Rover, the last hope for a viable British-owned motor industry, has enjoyed a remarkable resurgence. For nearly 15 years, Honda was Rover's partner in recovery. But yesterday Rover turned abruptly to BMW. The last large British car maker becomes German, leaving Honda's European strategy in tatters

Rover ownership contentious to the end

By Tony Jackson

British Aerospace's ownership of Rover is proving contentious to the last. When the merger was first announced, six years ago today, the air was thick with accusations about state assets being sold for a song. Now, it seems, comes the proof.

BAe paid £150m and is getting £800m. It will book a profit of some £400m on the deal. Its shares rose 12 per cent yesterday. The UK car industry is being sold down the river, and the UK taxpayer loses again, charge critics of the deal .

Not at all, says BAe. It's totally unrealistic to draw a direct comparison between the £150m and the £800m", Mr Dick Evans, BAe chief executive said yesterday. "Our total investment is many, many times £150m."

The point is reiterated by Mr Richard Lapthorne, BAe's finance director. "I'm not sure we're ahead on the deal at all", he said yesterday. "It's quite difficult to get a handle on it. We invested the original money, then we had to pay back the sweeteners" – £57m which BAe had to repay the UK government "and then we invested between £200m and £250m of capital expenditure a year. During that time, we got almost nothing out."

There is room for scepticism here. First, the £1bn-plus of capital expenditure was largely financed by Rover itself. Second, BAe extracted a large but unspecified amount of land and property from Rover over the years, and will hold on to it after the BMW deal goes through.

The cynic might say that Rover was merely parked with BAe by the UK government for six years, until its sale to a foreign owner became politically acceptable. If so, Mr Lapthorne insists, BAe did no more than break even on the parking fee.

However, he adds, "we enjoyed living in a house with a posh car outside it. It made us look wealthier than we were." In other words, he says, Rover's assets inflated BAe's balance sheet. "With that assistance, we were able to carry through some quite difficult decisions."

The £400m profit due in the 1994 accounts, says Mr Lapthorne, is a pure book-keeping item. For the technically minded, it goes as follows. When Rover was acquired, BAe wrote its assets up by £850m. Under new accounting rules governing disposals, this must now be written back as negative goodwill, giving rise to an £850m profit. But Rover is being sold for £450m below book value, so the resulting profit is only £400m.

But the benefits of the deal are by no means illusory, says Mr Lapthorne. "You have to get clear the distinction between book-keeping and banking." At present, BAe has a daily average of £200m debt on its balance sheet attributable to Rover, and another £700m off balance sheet tied up in working capital. Add to that the £800m proceeds of the deal and BAe will save or receive interest on a total of £1.7bn. Thus, says Mr Lapthorne, his interest bill drops by £120m a year.

So what will BAe do with the difference? Mr Evans was coy about this yesterday, beyond saying BAe would use it to strengthen its defence and aerospace businesses. However, the general thinking is clear enough.

"Having cars and aerospace together is financially daft", Mr Lapthorne says. "Both of them are financially intensive, and both need a strong balance sheet. That can be seen as a source of weakness if people know you can't afford to go both ways. Now, we can sit round any table in the world in the aerospace industry, and we're strong."

The inference is plain. In the defence business particularly, the up-front costs of development can be formidable, and not all customers can afford them. Now, BAe is in a position to offer more financial help to customers as a means of clinching the contract.

This also offers a clue to why BAe was so adamant that it wanted an assured exit route from Rover, and indeed why it was prepared to sell at a low point in the cycle. Financing stocks in the car industry is hugely expensive, even in a downturn. In an upturn it could become prohibitive.

"The problem would always be", says Mr Lapthorne, "that if the thing went marvellously well, would we have the clout to back it fully? And what if it coincided with something big in the rest of the business?"

But if BAe is now clear from its adventures in the car trade, it still has plenty of problems on its plate: for instance, in its regional aircraft and turboprop businesses. In both, Mr Evans said yesterday, the aim is still to reduce BAe's involvement.

For many months, it has been struggling to clinch a deal with Taiwan on setting up a joint venture in regional aircraft production. "The ball is firmly in Taiwan's court", Mr Evans says. "If they want to do a deal, it will have to be on the basis of the existing agreement. Progressively, we'll have to talk to other parties, and I guess that eventually we'll have to talk to Fokker" (the Dutch manufacturer, now controlled by Deutsche Aerospace).

In both regional jets and turboprops, Mr Evans says, the aim is for BAe to end up with 20-25 per cent of world class businesses. Given that BAe is also a minority stakeholder in the Airbus project, that leaves defence as its only wholly-owned activity.

In that respect, it bears a curious resemblance to Britain's other big defence contractor, GEC. There have been rumours of talks between the two, with Lord Weinstock of GEC reportedly keen to merge the two businesses and BAe reluctant.

Whera do matters stand now?

"There is nothing going on at the moment", Mr Evans says, "except that they're keen to buy our space business. But there are a lot of other areas where there are opportunities and connections between us, both horizontal and vertical. The question is whether we should concentrate on horizontal links, which are much more manageable, rather than bringing two bloody great businesses together in a nuclear explosion."

That apart, BAe insists on the vital importance of yesterday's announcement. "It's pivotal", Mr Lapthorne says. "It gives us positive options", adds Mr Evans. "Before, everything was a fire fight."

Before this is accepted uncritically, one nagging question remains. BAe has worked hard to return to its core in defence and aerospace, shedding businesses as diverse as cars, property development and civil engineering on the way. But those core businesses were what it started with a decade ago. Both markets have become progressively less attractive in the interim. If leaving them made sense then, what makes returning so wonderful now?

Quotes of the day

"The fact that BMW are prepared to pay £800m is a tribute to what BAe have achieved and a tribute to the whole British vehicle industry and its workforce."
Mr Tim Sainsbury, trade and industry minister

"Isn't today's deal the proof Rover was sold at a knockdown price to BAe and at a rip-off to the British taxpayer?"
Robin Cook, Labour trade and industry spokesman

"It is our objective to guide two independent and powerful automobile manufacturers on a common route through the future in a competitive world market."
Mr Bernd Pischetsrieder, BMW chairman

"The decision of BAe to sell its Rover shares to BMW negates Honda and Rover's long term efforts to establish a firm future for Rover as a British company with its own brand identity."
Mr Nobuhiko Kawamoto, president of Honda

"Some people would think that Rover had a better future linked to Honda than to an ailing German giant."
Sir Teddy Taylor, Conservative MP

"It's very difficult to be efficient in our business if you take a nationalistic approach to operating in that environment."
Mr George Simpson, Rover chairman

"The fact we cannot keep home ownership of a real jewel in the crown of British industry reflects the weakness of British manufacturing and the absence of long-term commitment to it on the part of the government."
Mr John Monks, TUC general secretary

"The partnership with BMW will strengthen the Rover business and provide a secure future for the company and its employees."
Mr John Cahill, BAe chairman

"Britain no longer owns its own motor industry. Considering we were once supreme in Europe, it has come to a sorry state."
Mr Bill Jordan, president of the AEEU

"Anybody with red, white and blue in his heart will feel its's a pity. But Rover is not viable on its own from a European point of view."
Mr Joe Gormezano, motor industry consultant at Knibb, Gormezano

"We are determined to safeguard the interests of the Rover workforce. We are being assured it will not affect the present workforce or plants."
Mr Tony Woodley, TGWU chief motor industry negotiator

"BMW is a good company which makes good models. The announcement could be for the best. As long as it keeps me in employment, I don't mind."
Mr Steve Pitchford, setter operator at Land Rover

A quick route into new market segments

BMW ATTACKS

By Christopher Parkes

BMW has chosen the short route – and the cheapest – to fulfil its long-term aim of expanding its core car business into new market segments.

As Mr Volker Doppelfeld, finance director, explained yesterday, the long route would be to move step by step from its upmarket saloon-based range.

In the event, the £800m bill for Rover is the amount the German carmaker would normally spend on developing a single new model.

Included in the price, he added, were 17 brands, including the Land-Rover, Range Rover, and derivatives which came equipped with "the most interesting, the best, and the longest heritage in off-the-road vehicles".

"It was our aim for a long time to move into new business segments and new markets. This agreement paves the way for the next 20 or 30 years of BMW's development," Mr Doppelfeld said.

As a first step, the purchase will double the group's 3 per cent share of the European car market. Both companies were bound to benefit from cross fertilisation of ideas and improved market penetration.

While Rover was the only important European vehicle maker to increase sales last year, only 11,000 of its cars were registered in Germany, Mr Doppelfeld said. And of 70,000 off-the-road vehicles sold, only 1,300 were bought by Germans.

Although BMW officials stressed that managements, development programmes and sales networks would be kept separate, there were obvious gains to be made from selling the Range Rover and other four-wheel drive vehicles through BMW's domestic distribution chain.

There were also distinct possibilities for returning the British group's cars to the long abandoned US market.

BMW officials claimed that much of their company's current success stemmed from careful attention to its North American distributorships. BMW had stepped up marketing there while competitors' heads were turned by the bubble markets which blew up in eastern Germany following unification with the west in 1990.

Launching an independent dealer network in the US today would cost Rover at least DM200m (£76m) they said.

According to Mr Doppelfeld, Rover was the "virtually ideal" partner for BMW.

Insertion of the Mini at the bottom end of the market would give the group access to the growing small car segment without any risk of BMW diluting its image as a maker of high-power top quality vehicles.

The joint developments with Honda of the Rover 200, 400 and 600 models – which he assumed would continue – rounded off BMW's traditional offering, he added.

Rover's four-wheel drive vehicles, together with its standard front-wheel drive cars, brought "new" technology to a company which still offers only rear-wheel drive.

Meanwhile, the Rover 800 class overlapped neatly with the bottom of BMW's current range. Mr Doppelfeld could foresee a time, maybe five years on, when the Rover 800 might share a common chassis with some of its BMW stablemates.

However, he stressed repeatedly that the two companies would continue to be run separately. They would not even be overseen by a new holding company.

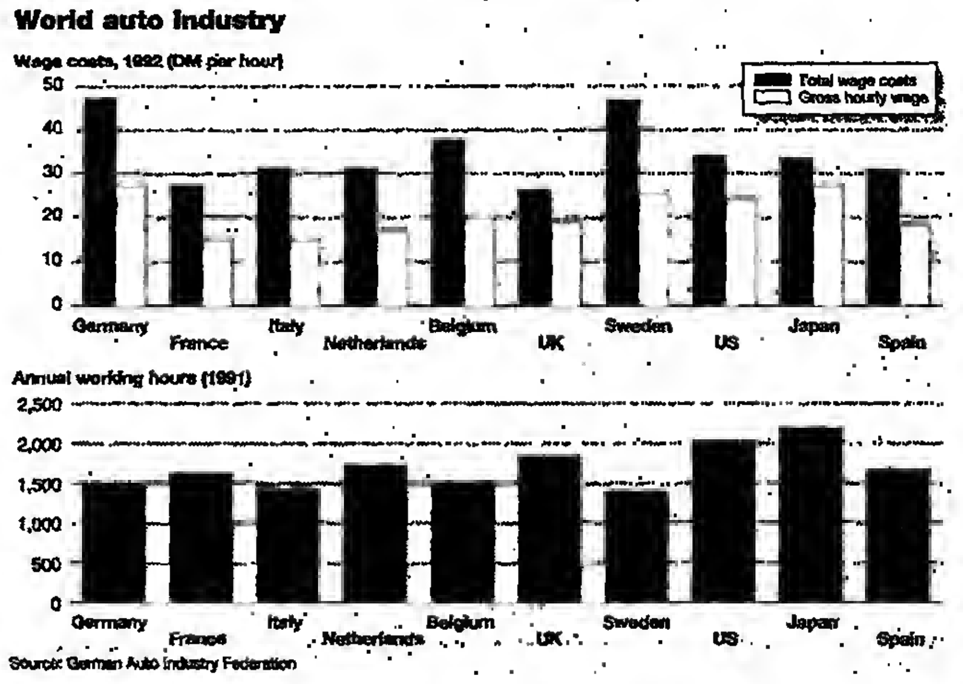
Independence was the secret of both companies' success. BMW had hoped that Rover chief, Mr George Simpson, would "remain true" to the company. But he is due, however, to leave shortly for Lucas, the British aerosapce and automotiva components maker.

Forecasting a positive impact on employment in both Britain and Germany, Mr Doppelfeld appeared anxious to soothe any fears of German intrusion in the UK institution.

BMW had considered the emotional aspects of the takeover, and accepted that the British public might be a little hesitant.

"But the strategic incentive really comes first. It is a great opportunity for Rover's future, and Rover's future opportunities would not be so great without the takeover."

World auto industry



Source: German Auto Industry Federation

Ideas man emerges from the shadows

PISCHETSRIEDER PROFILE

By Christopher Parkes

Trevor Humphries

Youthful chairman: took charge at the moment when BMW's star was shining at its brightest

There is more than relative youth to help distinguish the 45-year-old chairman of BMW from his peers in the top ranks of German industry. More than most, Mr Bernd Pischetsrieder has shown himself to be receptive to new ideas.

He says: "Anyone who is unable to break away from our way of thinking – a specialist mentality, moulded by education and upbringing – will not be capable of making our industry more efficient."

Mr Pischetsrieder has shown himself capable of putting new ideas into practice. In a 20-year series of production-related jobs he has been instrumental in implementing "new" ideas such as team working, flexible manufacturing systems and working hours, and the demolition of leadership hierarchies, which are only now being introduced elsewhere in German industry.

Following his appointment as chairman in May of last year, BP – as he has come to be known – has latterly also been responsible for the project to build BMW's first US plant in North Carolina.

The Spartanburg factory – which is to build a new car for the international market – was not his idea. The project was developed under Mr Eberhard von Kuenheim, his predecessor, who ran BMW for more than 20 years.

It was also Mr von Kuenheim, who had posted a watch on Rover with a mind to buying it. But he had also been observing Mr Pischetsrieder especially closely since 1985, when the Munich-born mechanical engineer returned from a South African posting to take charge of quality control group wide.

BP, then 37, had other options, but the quality control post meant that he would be reporting directly to and working closely with the chairman, popularly known as Mr BMW.

A BMW man since joining as a production planning engineer in 1973, BP had been on the main board as head of production for less than two years when his moment came.

He emerged unexpectedly, and unknown outside the motor business, at the moment when BMW's star was shining at its brightest. The marque had overtaken Mercedes-Benz as the biggest selling German quality car for the first time. BMW, by its own account, was the only domestic automotive group which last year did not slash its workforce or work short-time. Most important, it was the only one to make a profit.

Against such a glittering background, and still in the shadow of Mr von Kuenheim, Mr Pischetsrieder had not achieved a high public profile until yesterday.

After he had stepped out into the limelight in his own right, his colleagues were at pains to stress that he is his own man, who will stand or fall by the results of the deal to buy Rover. "He steered all the talks," one said. "I would like to make clear that our success is his personal achievement."

Honda's European strategy wrecked

HONDA DITCHED

By Paul Abrahams and John Griffiths

Honda's long-term European strategy yesterday lay in tatters. The group's bruised management admitted its chances of being able to develop further its 15-year relationship with Rover appeared remote.

But while Mr Shojiro Miyake, president of Honda Motor Europe, said yesterday that it was "too early" to make decisions about future strategy - requiring also talks with BMW - commercial realities make it highly unlikely that it would seek to pull the plug on the ongoing collaborative projects with Rover.

Most important of this is a replacement for the current Honda Concerto and Rover 200/400 models, expected in 1995.

Even at this relatively late stage, Honda indicated yesterday that it could "go it alone" if necessary and build its version at Swindon without supplies from Rover, which will build its version seperately at Longbridge. But at a time when Honda itself is under fierce financial pressures, it would make no commercial sense for it to forego the economies of scale arising from Rover's supply of body panels for it and the Honda Accord also being built at Swindon.

The belief of Mr George Simpson, Rover chairman – shortly to depart to become chief executive of Lucas Industries – is that collaboration will be wound down gradually, a process likely to take up to 10 years.

All sides accept that a period of tension is now an inevitability. But BMW yesterday was giving every sign that, for its part, it had no wish to change any of the projects currently under way.

The speed at which H[illegible] strategy unravelled left m[illegible] ers at its headquarters [illegible] Tokyo's fashionable Aoyama district clearly bewildered and resentful.

Mr Kiyoshi Ikemi, adviser to Honda's president, Mr Nobuhiko Kawamoto, explained: "We did not want to make Rover Japanese. We wanted to increase Rover's Roverness. We wanted it to be more British – that was the way the collaboration would work best."

Although Honda management yesterday did not talk about betrayal, the company dryly commented that successful partnerships should be based on trust as well as synergy.

"Now our partner has been acquired by a competitor we must start to reassess our entire operations in Europe," said Mr Ikemi.

"Mr Kawamoto has made it quite clear that he has no intention of collaborating with BMW in the UK. We did not want to collaborate with Rover through BMW. Such a collaboration was not called for – we had nothing to gain from it," he said.

Although nothing had been decided, it would be wrong to jump to the conclusion that Honda would break its existing agreements with Rover, said Mr Ikemi.

The collepse of Honda's European alliance could not have come at a worse time for the company.

Management attention was already fully focused on problems in the domestic and US markets.

Whatever European strategy Honda adopts, it will take far more time to draw up than it took for the previous one to unravel.

Conservative backbenchers express concern

POLITICAL STORM

By Roland Rudd

Many Conservative backbenchers voiced concern at the sale of Rover to BMW.

Mr Simon Coombs (Swindon) urged Mr Tim Sainsbury, minister for industry, "to learn a lesson from the fact that there is no potential British purchaser of this excellent company". He urged the Department of Trade and Industry "to try to work out why that is the case?".

His view was echoed by Mr John Butcher, (Coventry South West) who said many people in the Midlands were "anxious about the sale" and wanted reassurances about the deal.

Sir Teddy Taylor, (Southend East) said it was regrettable that the sale was completed without the consent of Honda, which still controls 20 per cent of Rover. He asked Mr Sainsbury to ensure the link between Honda and Rover was maintained.

Mr David Tredinnick (Bosworth) raised the possibility that BMW may want to build BMW cars in Rover plants.

Mr Sainsbury said ownership of Rover was a low priority compared to the profitability of the company.

However, worries over the foreign ownership of the last big British car company were taken up by Labour.

Mr Richard Caborn, Labour's chairman of the all-party Commons trade and industry select committee asked if the government was concerned that the lack of finance going into British manufacturing "is forcing our best companies to sell sectors off".

Mr Robin Corbett, Labour MP for Birmingham Erdington, said he was not against "sensible partnerships" but takeovers like this had got to be bad news. "I think it is very sad after the way management and workforce at Rover worked their socks off that British Aerospace can simply chuck them overboard because they are a bit short of money." But MP Dennis Skinner, (Bolsover) described the deal as an outrage which would finish off the British motor industry.

The government should step in and stop it, he said, adding: "There will be no guarantees for these jobs once the Germans take over. There will be no guarantees about the Rover marque. And in a few years' time the British car industry will be gone, like the motor-cycle industry."

Mr Robin Cook, Labour's shadow industry spokesman, said: "What is quite clear from today's purchase price is BMW has paid four times the amount for which this government sold Rover group only five years ago.

"That clearly confirms the Audit Office's view that the price they got for it was a rip-off of the public sector and the taxpayer."

Mr John Carlisle (C Luton North) declared an interest in that he had sold Rover cars through his company to both sides of the House "and indeed taken inquiries for BMW from the other side on frequent occasions". He asked if BMW would preserve the Rover dealer network "and make sure therefore that the excellent deals Rover have offered to members of this House and outside are still available".

Mr Sainsbury replied: "I can assure you it is the intention of BMW that Rover will continue to offer excellent deals to all its customers, whether in this House or outside."

Pressed further by Robert Ainsworth (Coventry North East) on what guarantees BMW had given on jobs, the minister insisted: "No company is going to invest £800m to bring a business to an end.

The BMW Rover deal

Foothold in a low-cost manufacturing base

GERMAN MESSAGE

By David Marsh

High up in the company's cylindrical tower block on the outskirts of Munich a few months ago, a BMW board member gazed wistfully in the direction of the Czech border. "They work there for a whole day for the wages we pay a German worker for one hour," – adding that BMW's largest challenge was to reduce costs.

One important aspect of the Rover takeover is that it gives BMW a high-level industrial foothold in a country now generally recognised as one of western Europe's lowest-cost manufacturing bases.

The deal extends a long list of German investments in Britain in recent years – underlining Britain's accelerated economic integration with the rest of the Continent.

The sale of a prestigious manufacturing name will be labelled by some British industrialists as an unsatisfactory "sell-out" to foreign interests. Negative effects on employment would certainly result from any transfer abroad of headquarters' functions such as marketing and development activities. However, the deal marks further public recognition by a large German company that the UK is an effective place to do business – a step that should be positive for jobs and investment.

The deal sends a message to German workers about the need to keep costs down as German motor and engineering groups signal their desire to shift some production abroad.

Coincidentally, the takeover was announced on a day of warning strikes by the IG Metall trade union to press home demands for a pay rise of up to 6 per cent. One German investment banker said yesterday the acquisition would provide BMW with a "useful yardstick" to help press for more streamlined and lower-cost production at home. He said BMW could now effectively put its workers into competition with Rover employees on productivity and quality standards.

According to the German-British Chamber of Commerce, the value of German investments in the UK rose to DM26.1bn at the end of 1992 compared with DM22.1bn at end-1990 and only DM8.7bn at end-1985.

A survey by the chamber at the beginning of the 1990s cited good labour relations and high productivity as main factors encouraging German companies to boost UK investments.

At current exchange rates, British manufacturing wages are 65 to 75 per cent of German levels, although the differential can be smaller in high technology sectors such as chemicals. More importantly, British non-wage charges – primarily social security levies – are only about 40 per cent of wage costs, compared with 85 to 100 per cent in Germany.

Heading the league table of German takeovers in the UK have been the acquisitions in 1989 by Deutsche Bank of Morgan Grenfell, which cost £950m, and by Siemens and GEC of Plessey, valued at £2bn.

British investments in west Germany have risen far more slowly, to DM13.6bn at end-1992 against DM10.7bn at end-1985.

Although German groups have largely been satisfied with their UK experiences, not all German takeovers have been success stories. In the late 1980s, Hochtief, the construction group, bought a 25 per cent stake in Rush & Tompkins, but the deal turned sour when the UK contractor went into receivership in 1990.

German investments in the UK

	Number employed	Line of business	Where based	Value of investments in UK operations
Siemens	About 10,000	Electrical/Electronic Engineering from chips to power stations	HQ Bracknell	Takeover of Plessey with GEC in 1989 cost £2bn
Hoechst	5,064	Chemicals/Pharmaceuticals Polymers/Agro Chemicals Colours/Building Products	HQ Hounslow (located throughout the UK)	18m in 1992 for Hoechst UK Group only: Doesn't include some of their bigger companies eg Roussel
BASF	1,900	Chemicals, Pharmaceuticals, Plastics	HQ Wembley	N/A
Bosch	2,100	Alternators, heating equipment	Cardiff Worcester	£100m invested in Cardiff
Deutsche Bank	About 600	Investment and commercial banking	London	N/A
Weidmüller	About 650	Manufacturer of electrical and electronic components	Sheerness	New investment of £6-7m per year
Mercedes-Benz	950	Sales, marketing and after sales service for trucks and cars	Barnsley, Harwich & Milton Keynes	£35m
Wella	630	Manufacture, sales and marketing of hair care products	Basingstoke and South Wales	£3m fixed assets net book value
Linde	2,000	Manufacture of fork lift trucks, refrigeration and industrial gases	Basingstoke, Abingdon and Redditch	£15m factory at Basingstoke £10m invested in other companies in the UK
Continental	283	Tyre sales and marketing	West Drayton	N/A
Bayer	Group 2,800 Bayer 1,700 Agfa 700 Others 400	Chemicals and plastics, pharmaceuticals, diagnostic products, film and other imaging products, allergenic products	Newbury, Basingstoke Brentford, Altringham, Selby, Bromsgrove, Bridgend Bury St Edmunds	Fixed assets; Approximately £60m
Schering	1,975	Pharmaceuticals, Agro chemicals Industrial chemicals	Harkstone and Chesterford Park, nr Cambridge Stapleford nr Nottingham, Widnes, Burgess Hill	Approximately £130m

Suppliers adopt relaxed stance

SUPPLIERS' OPPORTUNITY

By Paul Cheeseright and John Griffiths

The bigger players in the UK motor components industry were taking a relaxed view of the takeover last night.

Companies like T&N and Lucas have a manufacturing presence in most car-producing nations of what has become a global industry.

Mr Colin Hope, T&N's chairman and a past president of the Society of Motor Manufacturers and Traders, said: "As a first-tier supplier, with plants in both countries, we have always assumed that a continuing rationalisation of the car industry would take place."

However, the deal was seen as enhancing the prospects of smaller UK-based suppliers which do not have any significant overseas presence.

Many such suppliers have improved their efficiency and productivity as a result of their links with best-practice Japanese "transplant" car factories in the UK.

This, coupled with low labour and other costs in the UK, compared with Germany, is likely to prompt BMW to scour the UK more rigorously for cheaper alternatives to German parts.

So far, however, BMW has been slower than other German car makers to increase components purchases in the UK.

Whereas Volkswagen expects to spend about £400m on UK components this year – double 1992 levels – there has been little increase on BMW's 1992 total UK spend of some £120m – a figure that includes purchase of all goods and services.

Mr Graham Perkins, motor industry specialist at Coopers & Lybrand, the accountant, noted that "already UK suppliers are being inundated with German estimate requests".

With cost considerations pushing the German car manufacturers to widen their sources of components, Mr Joe Gormezano of Knibb, Gormezano, the motor industry consultants, said: "Going in with Rover will give BMW access to a number of component suppliers".

Against such a background, there are two niggling fears.First, that BMW might use its new position as an opportunity to help their established German suppliers, desperate for work.

Second, that BMW might take back to Germany the research and development work Rover is doing with its systems suppliers.

Emotion versus analysis

MIDLANDS PRIDE

By Paul Cheeseright

Emotion went one way and commercial analysis another as Rover, the icon of West Midlands industry, slid into German hands yesterday.

The change in ownership struck different chords throughout the region but nowhere was it a matter of indifference.

The proportion of the regional workforce engaged in manufacturing remains higher than the national average. "One in six jobs is dependent on the vehicles and vehicle components sector, and Rover is the largest single player in that," said Mr Chris Tillett, economist at Coopers & Lybrand, the accountant.

At its Longbridge car plant and at its Solihull Land-Rover and Range Rover plant, the group employs 22,000 out of its total workforce of 33,000. Also, Rover is spending £2bn a year on components. "The group is heavily tied into local suppliers," noted Mr Tillett.

"It is leading the West Midlands out of recession," according to Mr John Gunn, director of the regional Confederation of British Industry.

"It has come to symbolise the recovery of West Midlands industry with its attention to quality and paying attention to what the customer wants."

Yet Rover's role as a source of jobs has diminished. Even after the convulsions in the group during the late 1970s and the early 1980s, it had, in 1984, a payroll of 96,000. Since Rover and its predecessor companies account for a large slice of Midlands industrial and social history, its future is a matter not just of economic interest but of emotional concern.

Last Friday, at the annual banquet of the Birmingham Chamber of Commerce, mention of Rover's recovery in recent years drew the most animated response to any remark made in the speeches.

Yesterday, after the announcement, Radio WM, the BBC's local radio station, was hit by an avalanche of calls.

Mr Tony Butler, host of the station's morning show, said 30 calls had been broadcast. "At least half the calls were anti-German and 85 to 90 per cent were against the sale." Callers suggested a Land-Rover management buy-out would be better. "There was a feeling British Aerospace had sold them short," said Mr Butler.

Chauvinism was at large, with evocations of the bombing of Longbridge. "I understand the emotional reaction – it's one we can all share, but I see more upside potential than downside," said Mr Bob Moore, chief executive of the Birmingham Chamber of Commerce.

"Anybody with red, white and blue in his heart will feel it's a pity," said Mr Joe Gormezano, of Knibb, Gormezano, the motor industry consultant. "But Rover is not viable on its own from a European point of view."


Ashley Ashwood

The passing of a British institution: a Morris Minor drives past the Rover plant at Cowley, Oxford, where workers on the factory floor expressed some enthusiasm for the deal

Unions seek jobs reassurance

WORKERS REACT

By Paul Cheeseright and Tim Burt

Union leaders yesterday sought reassurances from Rover that workers at the group's seven sites would not face cutbacks or involuntary redundancies following the BMW acquisition.

The deal, however, appeared to enjoy support from workers on the Rover factory floor in contrast to the more cautious approach of union leaders.

Rover directors, expected to address workforce meetings today, are also being urged to give undertakings that the deal will not mean plant closures.

Calls to protect working practices for more than 30,000 members of the TGWU general, AEEU engineering and MSF white-collar unions were led by the Trades Union Congress.

Mr John Monks, general secretary, said: "The TUC will be supporting the unions in Rover in securing real guarantees from BMW that jobs will not be threatened and that research and development and component supply will remain in the UK."

His comment followed warnings from the International Metalworkers Federation that BMW could try to impose new practices on Rover workers.

The Zurich-based federation, whose members include IG Metall, the union at BMW, said the company had good relations with its German workforce but had taken an anti-union stance in the US.

The federation's warning prompted calls for further safeguards from the AEEU, which represents some 6,000 Rover workers.

Mr John Allen, the union's chief negotiator at Rover, said: "Our first priority must be the workforce, and we would like some assurances as to long-term job security."

Yesterday, however, workers coming off shift at Rover's Solihull plant – home to Land-Rover production – did not appear as concerned as their union leaders.

Those prepared to comment expressed no hostility to the new holding company.

Mr Dale Clarke, a maintenance supervisor, described BMW's planned acquisition as "a good move forward for us." He said: "It's also good we're keeping the links with Honda. So the future looks rosy."

Mr Steve Pitchford, a setter operator for 25 years, was more equivocal. "I want to know more facts. But BMW is a good company which makes good models. The announcement could be for the best. As long as it keeps me in employment, I don't mind."

That pragmatic approach was not universal. Mr John Doyle, an assembly fitter for 15 years, branded the deal "a bit of a sell-out. I think BMW is after this place; they're not interested in the cars."

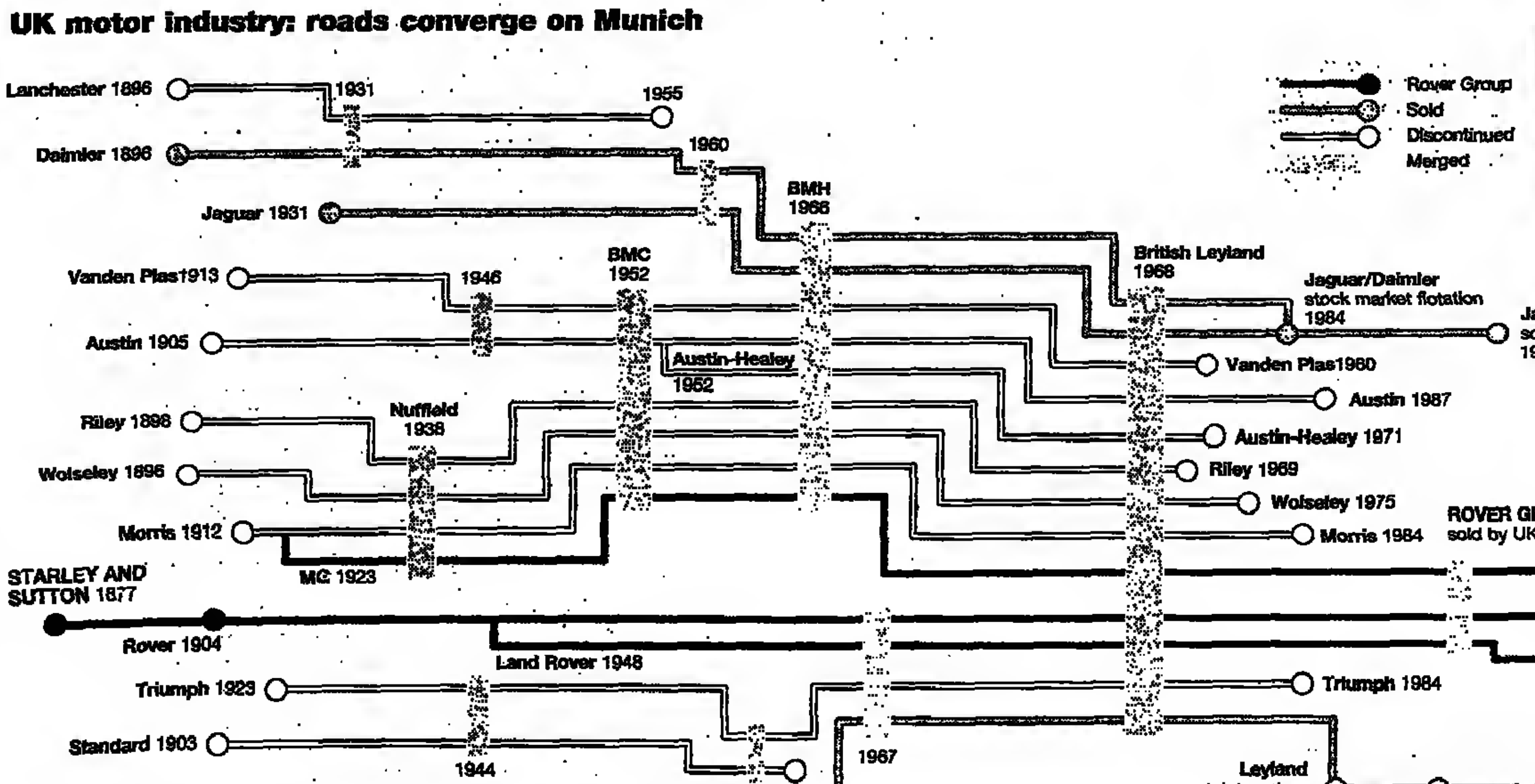
Union negotiators are expected to seek comparable conditions with workers at BMW's Munich and Regensburg plants, where working hours and annual leave are more favourable.

From bikes to sports cars, this trio shaped Rover

END OF AN ERA

By Ken Gooding

UK motor industry: roads converge on Munich



Three men in particular dominate the tortuous recent history of what has become the Rover Group: Donald Stokes, Michael Edwardes and Graham Day.

Stokes, who started his working life as an apprentice at the Leyland truck company in the 1930s and rose to become its chairman, was persuaded in 1968 by Harold Wilson, the Labour prime minister, to run the British-owned vehicle industry.

Wilson's policy was to encourage the UK's chief strategic industries to become more internationally competitive via mergers and then to select the best management available to run them.

When the British Motor Corporation and Leyland merged in 1968, Stokes was responsible for a group making more than 1m vehicles a year, with 40 per cent of the UK new car market, 30 factories and about 200,000 employees.

BMC could trace its origins back to the early days of the motor industry; the first Rover was a bicycle made by the Starley company in 1884.

Companies encompassed by Stokes's new British Leyland Motor Corporation, was enviable: apart from Rover it included Austin, Jaguar, Land Rover, MG, Morris, Standard, Triumph, and Wolseley.

Stokes made his reputation selling British trucks worldwide and he and his team were out of their depth managing a huge business still suffering from yeare of under-investment.

British Leyland also faced increasingly fierce competition as the UK began opening up to rival European manufacturers and had to deal with powerful trade unions which olmost invariably used strikes to resist any attempt to reform outdated working practices.

When the world motor industry was sent reeling by the oil supply crises, which started in 1973, British Leyland's finances were already fragile.

Even the successful truck operations were suffering: they had been drained of investment funds used to subsidise the lossmaking car businesses.

In 1975 the Labour government bought out British Leyland's private shareholders. Two years later Michael Edwardes, a South African who had made his name as chief executive of the Chloride batteries group, became chairman.

He persuaded first the Labour government, and then the Conservatives, to provide British Leyland with funds to revamp its range of cars, and made the first contacts with Honda to share costs through co-operative ventures.

But Edwardes will mainly be remembered for his determined and successful efforts to break the power of the unions within the car plants and to reform work practices.

Edwardes succeeded where Stokes failed partly because he could threaten the ultimate sanction – to close down the company permanently.

During his time with British Leyland, which he renamed BL, it absorbed £2bn of state aid but still accumulated losses of £2.6bn. Edwardes found himself increasingly at odds with Margaret Thatcher after she became prime minister. She pointed out that the aid to BL represented £200 for every man, woman and child in the UK. She wanted the group broken up and sold off. Edwardes moved out in 1982.

The management team he left behind were hamstrung by Thatcher's refusal to provide BL with more money. They sold Jaguar in 1984 via a stock market flotation (it was subsequently bought by Ford) but in 1986 Thatcher lost patience and sent in Graham Day, fresh from rationalising British Shipbuilders, to sort out BL.

Early on, Day came close to selling the whole business in two chunks to the two biggest US vehicle groups – trucks to General Motors and cars to Ford – but that fell through because Thatcher feared a political backlash.

Day continued to reshape the car business, cutting production to viable levels while moving the range upmarket with the help of Honda, now the dominant partner in the engineering-design co-operation arrangements.

BL was sliced up and sold off: trucks to DAF of the Netherlands; buses to a management group which sold on to Volvo of Sweden; Unipart, the spare parts operations, to a group of financial institutions, and finally BL, renamed yet again Rover, to British Aerospace.

That controversial deal was heralded by Thatcher's government as one which kept Rover "British" by putting it safely into the hands of the UK's biggest engineering group.

Metallgesellschaft in talks over Kolbenschmidt sale

By David Waller in Stuttgart

Metallgesellschaft, the troubled German metals, mining and industrial group, is in talks with "at least two" potential buyers for its 47 per cent stake in Kolbenschmidt, the vehicle components company which has been part of the group since the beginning of the century.

Mr Heinrich Binder, Kolbenschmidt chief executive, said yesterday that a transaction could be concluded reasonably quickly although it was too early to comment on the identity of interested parties. He said it was likely that the buyer would purchase a further 4 per cent of the company's shares to obtain control.

Kolbenschmidt has in recent years been a severe financial burden to its Frankfurt-based parent company, losing DM123m ($70.20m) in the year to last September and DM90m in 1991-92. Mr Kajo Neukirchen made it clear soon after he succeeded Mr Heinz Schimmelbusch as chief executive of Metallgesellschaft in December that the stake in Kolbenschmidt would be put up for sale.

Mr Binder said the company, which produces pistons, cylinder heads, oil pumps and other components used by vehicle makers, had broken even in the first quarter of the current financial year and was likely to in the year as a whole, despite poor market conditions. He predicted further improvements as rationalisation measures took effect, saying the company would make a profit in the next financial year.

The poor performance reflects the state of the German vehicle components sector where suppliers have been forced to bear the brunt of cost-cutting by the manufacturers as well as the impact of the strong D-Mark on exports.

Kolbenschmidt has responded by reducing capital expenditure and implementing a cost-cutting plan as a result of which the workforce shrunk by 763 to 9,314 people last year.

Extraordinary costs of DM44.9m associated with the restructuring were included in last year's losses.

Mr Binder said the Metallgesellschaft crisis had not caused any direct problems for Kolbenschmidt, although the projected sale had caused uncertainty for staff and customers. Metallgesellschaft sold a 12.5 per cent parcel of shares in the company last September to Magna International, a Canadian company which is thought to be a potential purchaser of the remaining 47 per cent holding.

Magna recently bought a majority stake in Kolbenschmidt's airbag-manufacturing subsidiary.

Research shows fund managers still going for recovery stocks

By Norma Cohen,
Investments Correspondent

Britain's largest institutional fund managers still believe share prices do not reflect the full benefits of recovery, an analysis of their portfolios suggests.

Of the UK's 12 largest fund managers, who own 23 per cent of the domestic stock market, eight have purchased shares which they expect to benefit from a pick-up in consumer spending and increased economic activity, according to Citywatch, the research firm.

Citywatch compiled the data by analysing shareholding records of all the companies in the FT-Actuaries Index and identifying the end-investor behind the nominee company shown in the records. The stocks are categorised according to the new FT-A sectors.

While fund managers say the data are distorted when clients dictate the investment strategy, they concede the Citywatch figures are broadly accurate.

The data show that most fund managers are weighting their portfolios towards building and construction stocks, property, retailing, banking, leisure and hotels and media.

Gartmore has high concentrations in the building sector and has double the market average holding in engineering.

Mercury Asset Management appears even more positive about prospects for recovery. It has a much heavier than average holding in the building materials and hotels and leisure sectors, is modestly overweight – holding a larger percentage of its portfolio in a single sector than that sector accounts for within the FT-A index – in banks and is underweight in food retailing, considered a "defensive" sector.

However, some fund managers , PDFM in particular, believe share prices for so-called recovery stocks are already too high and reflect over-optimism about economic growth.

"We think the market is overvalued and cyclical stocks tend to be more overvalued than most," said Mr Richard West, a director at PDFM, which is part of investment bank UBS Phillips and Drew. "We have been selling cyclical stocks and investing in less favoured consumer sectors."

Citywatch's data show that PDFM is overweight in breweries, tobacco, chemicals and engineering.

Scottish Widows, the Edinburgh-based life insurer, reflects some of PDFM's bias, holding relatively low positions in the building sectors but high weightings in breweries and tobacco.

Mr Mark O'Hare, managing director at Citywatch, said that some fund managers' holdings in key sectors were distorted by a single large holding. For instance, he said, his research showed that MAM, 75 per cent owned by merchant bank SG Warburg, is most overweight in merchant banking stocks. This was because MAM holds 20 per cent of all Warburg's shares, Mr O'Hare said.

Value boost for investors in Hungarian hotels group

By Nicholas Denton
in Budapest

Three US institutions which bought into Hungary's Danubius Hotels on Friday in Budapest's biggest stock-market transaction doubled the paper value of their investment yesterday as share prices leapt forward.

Kingdon Capital Market Corporation, Indian Harbor Holdings and an anonymous investment fund paid $23.6m for 29 per cent of Danubius, the hotel and spa group, which is being privatised by the state property agency.

In hectic trading yesterday Danubius shares moved beyond the Ft1,000 transaction price to end the day on Ft2,200. However, Creditanstalt Securities, the lead manager to the deal, warned that in this volatile market the group's share price might ease.

The closing price values the US investors' shareholdings at $50m and the whole of Danubius at $173m, giving the hotel group the second highest market capitalisation of the 28 companies listed on the Budapest Stock Exchange. Danubius's performance helped push the BSE index up 7.1 per cent to 1,942.

Danubius was originally earmarked for sale in Hungary's first privatisation programme in September 1990 but the recession in central eastern Europe forced its delay.

In 1991 a planned public offering was cancelled at the last minute and unprecedentedly generous incentives were needed to make a success of the 1992 sale of 25 per cent of the company to domestic investors.

Danubius yesterday announced that preliminary pre-tax profits rose 7.7 per cent to Ft382m ($3.6m) in 1993, on revenue of Ft5.1bn.

The rise in Danubius reflects the growing fashion for emerging markets and a central European stockmarket boom which began last year in Warsaw and has spread to Budapest, taking the index up 58 per cent in January alone.

Crédit Local up 8.5% at FFr1.29bn

By Alice Rawsthorn in Paris

Crédit Local de France (CLF), the specialist French banking group, yesterday reported an 8.5 per cent increase in net profits to FFr1.29bn ($210m) for 1993 from FFr1.19bn in 1992 despite the general downturn in the French banking sector.

The French banks have had a tough time in the past two years due to the sluggish state of the credit market and the impact of the economic recession on corporate loans and property holdings. However, CLF has remained unscathed due to its specialist niche in the local authority loans market.

Mr Pierre Richard, chairman, said that the group, which last summer became the first candidate for the Balladur government's privatisation programme when the state sold a 30.5 per cent tranche of its equity, managed to beat its original profit targets for last year.

Net banking income rose by 8.8 per cent to FFr3.08bn in 1993 from FFr2.83bn the previous year. However, operating costs increased by 14 per cent to FFr653m from FFr574.4m over the same period and gross operating profits rose by 5.5 per cent to FFr2.32bn from FFr2.19bn.

CLF is raising its dividend for 1993 to FFr16.50 a share, which represents an increase of 17 per cent over 1992.

On the trading front CLF managed to raise the value of its total loans by 8 per cent to FFr277bn during the year, partly due to an increase in new loans. Mr Richard said that, despite the recession, French local authorities had maintained relatively high levels of investment.

However, CLF, which expanded rapidly during the late 1980s due to the impact of the socialist government's decentralisation policy that gave French local authorities greater power over expenditure, is proceeding with its long-term policy of international expansion to reduce its reliance on the French market. The group last year opened a new business based in Madrid.

Profits warning cuts Christian Salvesen share price to 314p

By Andrew Bolger in London

Christian Salvesen shares fell 62p to 314p after the UK distribution, specialist hire and food services group issued a profits warning.

The Edinburgh-based group said Aggreko – its specialist hire business, which has been a star performer in recent years – was suffering from increasing competition in the US and Europe.

Salvesen warned that pre-tax profits for the year to March would be below market expectations and "slightly lower than the £74.8m ($112.2m) reported last year".

Analysts, who had been expecting around £80m, reduced their forecasts to between £70m-£72m.

Mr Chris Masters, chief executive, identified four other factors hitting profits:

- Unacceptable losses in Spain had led to the withdrawal of the Aggreko business, with consequent redundancy costs and provisions for possible bad debts;
- The unexpected end of a hire contract in Croatia, which was producing all the electrical power for the town of Split;
- A £1m stock write-down at Light and Sound Design, which the group bought in 1991 and has since restructured after losses caused by a downturn in the number of pop concerts;
- Reduced volume in the group's vegetable processing activities because of poor weather.

Mr Masters said most of the problems were one-offs, but Aggreko faced continuing margin pressure in North America. Mr Masters said steps have been taken to reduce Aggreko's cost base, cutting the US workforce of 350 by about 10 per cent. Sales were being refocused towards bigger, higher-value contracts such as the US Superbowl, for which Aggreko supplied the power at the weekend, and temperature control.

Salvesen said: "By contrast, the group's distribution businesses around the world, which comprise 45 per cent of trading profits, continue to make good progress." Mr Masters said Swift Distribution, acquired in October for £84m, was performing ahead of expectations and Salvesen Brick was continuing to experience increased demand.

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Fokker chief quits after boardroom row

By Ronald van de Krol
in Amsterdam

The chairman of Fokker, the Dutch aircraft manufacturer which is 51 per cent-owned by Deutsche Aerospace of Germany, has resigned after a board dispute over his plans for a 30 per cent reduction in the price of Fokker's aircraft.

Mr Erik Jan Nederkoorn is to be replaced temporarily by Mr Reinder van Duinen, vice-chairman of the management board, until a new chairman drawn from outside the company can be found.

Fokker said Mr Nederkoorn had resigned for personal reasons but declined to give details.

The cost-cutting plans, unveiled by Mr Nederkoorn in late December, also called for the elimination of around 1,000 jobs. The plans met with opposition from fellow members of the management board as well as Dutch members of the supervisory board, who argued that the cuts were unnecessarily drastic.

Dasa, which is reported to have wanted even stiffer cuts, declined to use its majority on the supervisory board to back Mr Nederkoorn in the face of Dutch opposition.

Mr Nederkoorn's resignation is unexpected and ironic because he was the driving force behind last year's sale of Fokker to Dasa, a subsidiary of Daimler-Benz.

Following Mr Nederkoorn's departure, the size of the management board is to be doubled to six members.

LVMH may seek control at Guerlain

By Alice Rawsthorn

LVMH, the world's largest luxury goods group, is considering taking full control of Guerlain, one of France's most famous fragrance houses, according to Mr Bernard Arnault, chairman.

Mr Arnault said in an interview with yesterday's Les Echos, the French financial newspaper, that LVMH planned to increase its minority stake in Guerlain as part of its plans to expand its luxury interests following last month's deal to restructure its cross-shareholding agreement with Guinness, the UK drinks group.

LVMH, already one of the largest perfume companies with brands such as Christian Dior's Dune and Givenchy's Amarige, has held a 15 per cent stake in Guerlain since 1987. It is believed to have considered taking a larger holding at the time of the original acquisition, but finally decided against doing so.

However, Mr Arnault said he wanted to be "more than just a minority investor" in Guerlain. LVMH confirmed that the group did hope to raise its stake, but said it had not yet begun negotiations with the Guerlain family which controls the remaining 85 per cent of the business.

Guerlain is one of France's oldest and most prestigious fragrance houses with annual sales of over FFr2bn ($330m). Its best known perfumes, Shalimar and Samsara, are among the top 20 best selling upmarket scents. The acquisition of Guerlain would make perfect sense for LVMH, which has thrived in the fragrance market by applying its marketing and distribution resources to a wide range of brand names.

INTERNATIONAL COMPANIES AND FINANCE

Record producers propose TV music video channel

By Martin Dickson in New York

Four of the world's largest record companiee – Warner Music, PolyGram, EMI Music and Sony Software – yesterday announced plans to launch a cable television music video channel in the US. It could provide the first serious competition to MTV Networks, the pop music service owned by US cable group Viacom.

The partners are thought to be considering launching local language services outside the US in some countries where MTV has been growing rapidly. MTV's programmes are broadcast in English.

The four companies, together with Ticketmaster, the US entertainment ticketing group, said they were forming a partnership to operate an advertiser-supported, 24-hour channel which would be offered as a basic cable service in the US and launched in the fourth quarter of this year.

They would seek additional partners, including cable television operators. Warner Music is a subsidiary of Time Warner, the entertainment group which runs the second-largest cable television service in the US.

EMI Music helongs to Britain's Thorn EMI, while PolyGram is a subsidiary of Philips Electronics of Holland, and Sony Software is part of Japan's Sony group.

The four companies launched a forerunner to the US service in Germany last month, in conjunction with Mr Frank Otto, a Hamburg radio executive. The German-language service, called VIVA, is in 90 per cent of the country'e 13m cable homes.

The US venture could have a tough time wooing cable companies and advertisars away from MTV and its sister channel, VH-1, which is aimed at the baby boom generation.

MTV, which began operations in 1981, has built up a powerful hrand name in North America – and increasingly around the world – with an unpredictable, iconoclastic etyle and original programming which goes beyond the simple transmission of pop videos. It is received in 57m homes in the US.

The record companies yesterday gave few details of their programming plans, but indicated the channel would consist mainly of pop video transmissions, possibly accompanied by retailing of music-related merchandise.

The partners said they would continue to licence their own videos to other entities, which presumably means MTV will be assured a supply.

Bertelsmann, the West German record company, and Tele-Communications Inc, the largest cable system operator in the US, announced plans last September to launch a cable channel in the US which would allow viewers to choose tha pop videos they want to watch, as well as buying music-related products from home. However, this idea may take a considerable time to reach the market.

Upjohn rises 6% to $163.7m

By Richard Tomkins in New York

Upjohn, the US pharmaceutical company which is trying to respond to seriee of patent expiries on some of its most important drugs, reported a 6 per cent increase in net income to $163.7m in its fourth quarter.

The result left it with full-year net income 21 per cent ahead at $392.4m, but the company said if all unusual items and the previoue year'a $222.9m charge for accounting changes were excluded, net income from continning operations would hava been 5 per cent ahead at $585m.

Mr John Zabriskie, the newly-appointed chairman and chief executive, said Upjohn's respectable performance in 1993 showed the company's concerted efforts to meet short-term challenges were working.

"Our human healthcare products showed volume growth worldwide, and products we have introduced in the US since 1992 achieved excellent market penetration," he said.

Mr Zabriskie acknowledged Upjohn was seeing the effects of the loss of US patent protection on several important products, but said it had limited the effects through careful planning of its generic strategy. "We expect this strategy to help mitigate the negative effects of generic competition in 1994," he said.

Worldwide sales of human health care products increased 2 per cent for the year but decreased 7 per cent in the fourth quarter. Worldwide agricultural sales decreased 2 per cent for the year but increased 10 per cent in the fourth quarter.

Total sales for the full year were $3.61bn, against $3.55bn last time, while fourth-quarter sales were $926.3m, down from $967.1m. Earnings per share, undilnted, were up to $2.18 from $1.78 for the year and to 92 cents from 86 cents for the quarter.

Rhône-Poulenc unit misses target

By John Ridding in Paris

Rhône-Poulenc Rorer, the pharmaceuticals division of Rhône-Poulenc, the French chemicals group, yesterday announced net profits of $408.7m for last year, a fall of about 5 per cent compared with the $428.2m reported in 1992.

Mr Robert Cawthorn, chairman and chief executive, said the results were "below what we had planned".

He said the environment facing the industry had been more difficult than expected, particularly in Germany and Italy, where pharmaceuticals companies have been hit by government healthcare reforms and redneed prices.

Sales held fairly constant at $4.02bn, while earnings per share slipped to $2.96 from $3.10.

Excluding exceptional items, earnings per share rose slightly to $2.92 from $2.82.

In spite of the fall in profits and earnings per share, Mr Cawthorn cited several encouraging factors.

He said sales growth in Japan, the US and France, the world's three largest pharmaceuticals markets, exceeded the market average. In the US, sales of both prescription and over-the-counter drugs posted double digit gains.

The company is developing products, such as Zagam, an antihiotic and Taxotere, an anti-cancer agent which was described as the company's number one research priority.

RPR said it was planning to file Taxotere for registration in North America, Japan and Europe in the third quarter of this year.

In the longer term, RPR said it was investing in new technologies, particularly in cell and gene therapy.

Mr Cawthorn said 1994 was a transitional year, which would see increased investment in new products and an increase in its cost-cutting efforts.

Xerox shares lifted by strong final term

By Patrick Harverson in New York

Shares in Xerox rose sharply on Wall Street yesterday after the company annonnced net income from its core document processing business rose 9 per cent in the final qnarter of 1993 to $236m.

Although part of the growth was due to favourable movements in foreign exchange markets – Xerox said processing income was up only 5 per cent in the fourth quarter if the effect of foreign currency translation was excluded – the improvement cheered investors who until recently had been disappointed by the company's earnings performance.

By late morning, Xerox shares were np $4⅝ at $97¼, a 52-week high.

The company has heen restructuring. Further job cuts are planned as part of the programme, aimed at redncing Xerox's payroll by 10,000 jobs, or 10 per cent, over the next two years.

Xerox's solid final qnarter took the company's full-year 1993 earnings from its docnment processing business to $620m, up from $562m in 1992. That gain was wiped ont by a previously announced fourth-quarter charge of $813m which was taken to cover the cost of a big restructuring programme and to settle a 1992 anti-trust lawsuit.

Revenue for the quarter was almost nnchanged at $4.2bn. For the year, revenne was static at $14.6bn against $14.7bn.

Mr Paul Allair, Xerox's chairman and chief executive, said that pre-charge profits were np over the year in spite of lower-than-expected revenue growth because of the company's restructuring.

During 1993, Xerox's worldwide docnment processing workforce was cnt by 2,300. The reductions, combined with expense controls, helped improve the company's ratio of expenses-to-revenue ratio by 1.1 per cent.

JP Morgan in China venture

JP Morgan, the US investment bank, has become the latest international financial institution to open its doors in Beijing and in Shanghai, writes Tony Walker in Beijing.

Mr Dennis Weatherstone, chairman, yesterday indicated the bank would be engaged in China's capital raising efforts abroad. The US bank has participated in bond issnes by Chinese institutions.

Dow Corning slips deeper into red

By Frank McGurty in New York

Dow Corning fell deeper into the red in the fourth quarter after taking a pre-tax charge of $640m to cover the cost of litigation related to breast implants manufactured by the company.

The company, a 50-50 joint venture between Dow Chemical and Corning, yesterday announced a net lose of $384.2m in the final three months of 1993, compared with $5.5m in the year-earlier period.

Excluding the provision, which was disclosed earlier this month, net profits improved by 48 per cent to $30.8m, against an operating profit of $20.9m in the final three months of 1992.

The special charge represents the company's best estimate of its potential costs under a proposed $4.75bn settlement of thousands of lawsuits brought by women who claimed to be harmed by leaking implants.

Its total liability was estimated at $1.24bn, but insurance payments were expected to reduce the figure by $800m.

Dow Corning was once the world's largest manufacturer of breast implants. In 1992, the US Food and Drug Administration banned their use in cosmetic surgery amid mounting concern over their safety.

Its continning operations remain on sound footing.

The company, a leading supplier of silicone used in the manufacture of aerospace, vehicle and construction products, showed a 7.9 per cent increase in revenues to $521m in the quarter. Sales growth was particularly strong in the US, while some recovery was evident in Europe.

Mr Richard Hazleton, president and chief executive, said he was satisfied by the company's performance and credited a cost-control programme begun earlier in the year for the profits growth.

He said a highly competitive trading environment had limited the company's ability to recoup cost increases through higher prices, although prices were up modestly in the US.

For the full year, sales reached a record $2.04bn, up 4.5 per cent from $1.96bn in 1992, but the bottom line suffered from the impact of the breast-implant provision.

A net loss of $287m in 1993 was set against a net deficit of $72m a year earlier. Excluding special charges, net profits advanced 27.6 per cent to $128m.

Lagardère launches Matra-Hachette offer

By David Buchan in Paris

Mr Jean-Luc Lagardère yesterday launched his long-mooted shares exchange offer to absorb Matra-Hachette, the missiles-to-magazine group, into his own Lagardère group.

Under the offer, which closes on March 12, holders of some 58m Matra-Hachette shares which are not already held by Mr Lagardère and his industrial and financial partners would receive Lagardère group shares on a one-for-one basis, plus a warrant convertible at a rate of five for two Lagardère shares.

The Lagardère group said it would only go through with the share swap if it gained at least 65 per cent of Matra-Hachette's capital. At present it holds 37.6 per cent of Matra-Hachette'a capital and 51.2 per cent of its voting rights.

Mr Lagardère said the deal was designed to merge Matra-Hachette, which represents 90 per cent of the Lagardère group assets, into a simpler and more transparent structure, and allow Matra-Hachette to grow without the constraint imposed by the Lagardère group's need to preserve its present controlling 51 per cent stake.

In fact, the issue of warrants to tempt Matra-Hachette shareholders could bring the Lagardère group FFr4.3bn ($731m) if all the shares were exchanged and all the accompanying warrants were exercised by mid-1997, Mr Philippe Camus, the Lagardère group finance director, estimated yesterday.

Financial rather than industrial considerations lie behind the plan, which Mr Lagardère said was motivated by the fact thet on the Paris bourse the shares of the holding company that bears his name were considerably under-valued in relation to its underlying assets, and in particular to the share price of Matra-Hachette.

Trading in the two shares was suspended on yesterday's announcement, but on Friday Lagardère closed at FFr160 and Matra-Hachette at FFr165.80.

Mr Lagardère compared Matra-Hachette to "a fast train" which he said would show nearly a doubling of earnings in 1993 to FFr600m. But he likened his Lagardère group to a high-speed "TGV train".

"We are proposing that Matra-Hachette shareholders step on to the TGV, and that not only will they suffer no risk and pay no extra charge but they will be rewarded in switching," he claimed.

GE Capital buys car leasing group

By Bernard Simon in Toronto

GE Capital, the US financial services group, has expanded its international fleet management business by acquiring Triathalon Leasing, Canada's biggest vehicle leasing company.

GE will pay C$225m (US$170m) for Triathalon, which is owned by Trilon, a holding company controlled by the Toronto hranch of the Bronfman family.

The Triathalon sale is the latest in a string of divestitures over the past year by the hard-pressed Bronfman empire. Trilon said it would use the proceeds to repay debt, and expected to post a small gain on the deal.

Triathalon has 47,000 vehicles under lease or management to 1,600 corporate customers. GE Capital, wholly-owned by General Electric, has a large presence in Canada, with about 27,000 vehicles on its books.

The combined fleets will make up about 12 per cent of GE's worldwide business.

GE named Mr Rolf Rueqq as president of its enlarged Canadian operation. Mr Rueqq is general manager of Avis Fleet Services, GE's European vehicle-services arm.

● CT Financial Services, which own Canada's biggest trust company, posted a 66 per cent gain in fourth-quarter net profits to C$45m or 32 cents a share, hut profit for all of 1993 was down 14 per cant to C$166m or C$1.22, writes Robert Gibbens in Montreal.

The fourth-quarter upturn was due to lower loss provisions and strong mutual funds sales. CT is controlled by Imasco, the tobacco, fast food and retailing giant, which is in turn 40 per cent held by Britain's BAT Industries.

Canada Trust, with C$38bn of assets, is one of two surviving independent trust companies and is not for sale, Imasco says. It increased market share 1 per cent last year and the company said its performance in 1994 will depend on recovery in Canada and the US, where the company controls a large savings and loan unit.

Canadian pulp group cuts loss to C$143m

By Robert Gibbens in Montreal

Canadian Pacific Forest Products, the pulp and paper group, reduced its operating loss to C$143m (US$109m) in 1993 from C$190m in 1992.

After special items the loss widened to C$286m or C$4.88 a share, compared with a deficit of C$248m or C$4.82 in 1992.

Sales were little changed at C$1.8bn.

The fourth-quarter loss was C$160.5m after special items, against a loss of C$59.5m a year earlier on salee little changed at C$466m.

The group is spinning off its paperboard business into a new company, St Laurent Paperboard, with annual sales of more than C$300m.

CPFP will get C$240m from a recent financing in February.

● Dominion Textiles, a Canadian-based international textile producer, turned in net profit of C$7.8m or 13 cents a share after special items in the six months ended December 31. This compared with C$10m or 21 cents a year earlier, on sales of C$624m, against C$631m.

China bank plans overseas branches

The Agricultural Bank of China, one of the country's "big four" commercial banks, is to open hranches in Hong Kong, New York and Singapore, writes Tony Walker.

The establishment of overseas hranch offices will coincide with reforms of the bank's operations at home to divide its commercial business from its policy-lending responsibilities to a struggling rural sector.

The bank will be split into two institutions to be known as the Agricultural Bank and the Agricultural Development Bank. The latter will provide soft loans to farmers.

The Agricultural Bank will be expected to compete more effectively in a commercial environment under new banking laws that are expected this year.

A Central Bank Law and Banking Law are aimed at defining more clearly the reeponsibilities of China's banks, and opening the way for further reforms of an antiquated banking sector.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composita leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.1
1986	105.5	100.9	8.6	96.0	106.9
1987	108.4	106.0	6.1	105.5	108.4
1988	112.8	110.7	5.4	106.1	112.5
1989	115.6	112.4	5.2	99.3	110.9
1990	116.5	112.4	5.4	84.6	106.9
1991	114.2	110.3	6.6	62.2	112.2
1992	117.8	112.9	7.3	60.3	117.3
1993		117.7	6.7		
1st qtr.1993	3.7	4.4	6.9	62.2	117.7
2nd qtr.1993	5.3	3.8	6.9	63.7	117.4
3rd qtr.1993	5.6	4.3	6.7	66.0	116.5
4th qtr.1993		4.5	6.4		
January 1993	4.9	4.6	7.0	60.4	118.2
February	3.2	4.4	8.9	63.5	117.8
March	3.0	4.3	8.9	62.8	117.7
April	4.7	3.9	8.9	62.8	117.0
May	5.2	3.3	6.9	65.1	117.2
June	8.0	4.2	6.8	63.1	117.4
July	6.1	3.7	8.7	65.6	116.4
August	6.0	4.1	8.7	66.7	118.7
September	5.4	4.9	6.6	65.5	119.5
October	5.0	4.3	8.6	67.9	120.1
November		4.4	6.4	65.1	121.4
December 1993		4.7	6.3		

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	97.3
1986	106.5	99.7	2.6	94.3	106.1
1987	113.8	103.1	2.8	108.3	115.2
1988	122.6	112.9	2.5	135.6	122.2
1989	132.5	119.9	2.2	147.0	125.2
1990	141.6	125.5	2.1	149.8	122.8
1991	144.6	128.4	2.1	144.2	120.6
1992	139.9	120.6	2.2	124.2	120.1
1993		115.1			
1st qtr.1993	−5.9	−5.1	2.3	115.5	123.3
2nd qtr.1993	−6.0	−4.3	2.4	106.2	124.9
3rd qtr.1993	−6.1	−3.6	2.5	101.3	126.7
4th qtr.1993		−4.7			
January 1993	−3.5	−7.6	2.3	109.8	120.9
February	−5.9	−5.8	2.3	113.0	121.7
March	−8.2	−2.0	2.3	123.6	123.3
April	−5.3	−4.1	2.3	109.6	124.6
May	−4.8	−4.2	2.5	102.6	125.0
June	−8.0	−4.6	2.5	106.4	124.8
July	−5.6	−4.5	2.5	100.8	125.2
August	−4.1	−2.8	2.5	103.3	125.8
September	−5.5	−4.4	2.6	99.8	126.7
October		−6.6	2.7	95.2	127.4
November		−3.2	2.8	184.2	127.2
December 1993		−4.2			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1
1986	103.4	102.2	6.4	136.4	105.0
1987	107.4	102.6	6.2	149.4	108.1
1988	110.5	106.3	6.2	164.8	112.2
1989	114.1	111.4	5.6	218.7	115.1
1990	123.5	117.2	4.8	261.1	115.7
1991	130.5	120.7	4.2	270.7	113.0
1992	128.1	118.1	4.6	260.2	106.7
1993				187.8	
1st qtr.1993	−4.6	−6.8	5.3	213.4	106.6
2nd qtr.1993	−3.7	−8.3	5.6	208.5	109.1
3rd qtr.1993	−2.1	−6.3	5.9	194.5	112.0
4th qtr.1993				174.7	
January 1993	−7.5	−9.1	5.2	218.7	106.4
February	−4.6	−11.8	5.3	212.6	106.5
March	−1.7	−8.5	5.5	210.2	106.9
April	−2.2	−9.0	5.6	210.9	107.4
May	−5.6	−8.2	5.6	207.8	108.0
June	−3.4	−7.8	5.7	208.0	109.1
July	−3.7	−7.8	5.6	203.5	110.0
August	−0.7	−5.5	5.9	195.3	111.4
September	−1.8	−5.7	8.1	184.6	112.0
October	−3.8	−4.0	6.2	174.7	113.1
November	−5.2	−4.5	6.3	173.9	114.1
December 1993				175.5	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	102.0
1986	102.4	101.1	10.4	107.2	109.2
1987	104.5	103.1	10.5	117.7	108.6
1988	107.6	107.3	10.0	134.8	116.7
1989	109.5	111.3	6.4	161.1	113.5
1990	110.1	112.9	8.9	169.0	108.3
1991	109.7	113.2	6.5	127.7	109.8
1992	108.9	113.2	10.4	111.4	107.9
1993					110.7
1st qtr 1993	0.1	−3.7	11.0	96.9	106.1
2nd qtr 1993	1.1	−4.2	11.5	81.8	107.1
3rd qtr 1993	0.9	−3.3	11.7	85.0	106.1
4th qtr 1993					110.7
January	0.1	−5.4	10.9	97.1	107.3
February	−3.9	−2.8	11.0	96.6	106.9
March	4.3	−3.0	11.2	96.0	106.1
April	1.1	−5.1	11.4	95.0	106.7
May	−3.1	−3.6	11.5	89.1	107.6
June	5.3	−3.7	11.6	91.0	107.1
July	1.6	−3.1	11.7	93.9	106.7
August	−0.9	−3.4	11.7	80.4	107.2
September	2.1	−3.5	11.6	80.9	108.1
October	−1.6	−4.9	12.0	83.7	109.0
November	2.1	−0.9	12.0	85.2	110.0
December					110.7

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	8.8	103.8
1986	106.8	104.1	10.4	110.7
1987	112.1	106.6	10.9	112.8
1988	108.0	114.2	11.0	117.7
1989	116.6	116.7	10.9	115.8
1990	114.3	118.0	10.3	111.9
1991	110.9	115.4	9.8	114.7
1992	116.8	113.6	9.8	111.3
1993				
1st qtr 1993	2.2	−4.3	9.0	113.5
2nd qtr 1993		−4.0	10.6	114.8
3rd qtr 1993		−1.2	10.3	118.7
4th qtr 1993				
January	11.1	−3.9	n.a.	111.6
February	−4.5	−4.3	n.a.	113.0
March	0.3	−4.7	n.a.	115.5
April	2.1	−3.6	n.a.	113.8
May	−8.9	−4.8	n.a.	114.2
June		−3.9	n.a.	114.8
July		−3.3	n.a.	115.8
August		0.4	n.a.	117.1
September		−0.7	n.a.	118.7
October		−1.7	n.a.	119.2
November			n.a.	
December			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	102.4
1986	105.2	102.4	11.2	118.1	105.9
1987	110.7	106.5	10.3	141.2	110.5
1988	117.6	111.6	8.6	144.9	108.7
1989	120.1	114.0	7.2	124.7	108.4
1990	121.1	113.7	6.8	99.1	104.2
1991	119.6	109.2	8.7	68.9	108.2
1992	120.5	106.7	9.9	70.1	116.9
1993	124.7		10.3	77.3	
1st qtr 1993	3.3	1.8	10.5	73.6	117.5
2nd qtr 1993	6.0	2.6	10.3	74.1	118.0
3rd qtr 1993	3.8	2.7	10.4	77.1	119.6
4th qtr 1993	3.6		10.0	84.7	
January	3.0	1.8	10.7	73.2	115.5
February	2.9	2.0	10.5	73.4	116.8
March	4.0	1.7	10.4	75.0	117.5
April	2.7	1.3	10.3	74.9	119.0
May	2.4	4.6	10.3	74.9	118.2
June	3.8	3.0	10.3	72.6	118.0
July	4.4	3.6	10.4	77.1	118.2
August	3.6	2.6	10.4	77.4	118.9
September	3.4	2.1	10.4	76.9	119.6
October	3.2	2.2	10.2	81.2	120.1
November	3.8	3.9	10.0	85.2	120.1
December	4.0		9.9	87.9	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

June 1993

US$76,850,000

Espírito Santo Financial Holdings SA

2,650,000
American Depositary Shares

Merrill Lynch International Limited
Lead Manager

September 1993

US$150,000,000

BNP

Banque Nationale de Paris

Privatisation
22,504,493 Shares

Merrill Lynch & Co
US Lead Manager

November 1993

Ptas 181,170,002,800

ARGENTARIA
Corporación Bancaria de España

29,945,455
Shares of Common Stock

Merrill Lynch & Co
Financial Advisor

July 1993

DM 216,600,000

ARBED

ARBED S.A.

2.50% Senior Convertible Notes

Merrill Lynch International Limited
Lead Manager

September 1993

US$1,420,000,000

Roche

Roche Holdings, Inc.

Liquid Yield Option Notes*

Merrill Lynch & Co
Sole Manager

November 1993

US$154,280,000

Bailey

Elsag Bailey

8,120,000
Common Shares

Merrill Lynch International Limited
Lead Manager

July 1993

Pts 7,104,000,000

Central Hispano
Banco Central Hispanoamericano, S.A.

2,000,000
Ordinary Shares

Merrill Lynch International Limited
Lead Manager

In 1993 Merrill Lynch helped clients in ten European countries raise over $5,000,000,000 of equity or equity-linked capital.

November 1993

RAUTARUUKKI OY

34,822,410 Rights Representing the Right to Subscribe to 5,803,735 K-Shares

Merrill Lynch International Limited
International Lead Manager

August 1993

US$75,625,000

COATS VIYELLA

Coats Viyella plc

6¼% Senior Convertible Bonds

Merrill Lynch International Limited
Lead Manager

October 1993

US$144,000,000

GROUPE SCHNEIDER

Schneider S.A.

2,385,806 Shares with Warrants

Merrill Lynch International Limited
Joint Lead Manager

December 1993

US$116,660,000

Credito Italiano

95,000,000
Ordinary Shares

Merrill Lynch & Co
US Lead Manager

Merr

As the financial world gets smaller its complexity increases.

New methods of raising equity capital proliferate as deregulation opens up opportunities.

Never has trusted advice been more important.

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The difference is Merrill Lynch.

Merrill Lynch
A tradition of trust.

THE DIFFERENCE BETWEEN LOCAL PRESENCE AND GLOBAL KNOWLEDGE.

Bid battle for mining deposit in Argentina

By Bernard Simon in Toronto and Nikki Tait in Sydney

Two former allies in the international mining industry, both with links to Germany's Metallgesellscbaft, have emerged as rivals in a hotly-contested bid for a rich copper-gold deposit in Argentina.

MIM Holdings of Australia signed an agreement in principle last weekend to participate in the development of the Bajo de la Alnmbrera project, aloogside International Musto Explorations, a small Vancouver-based group.

The Anstralian company said that negotiations towards a final agreement were "ongoing". It plans to pay US$130m for a 50 per cent stake in the venturc and wonld be the operator of the project. The deal is due to close around February 17.

MIM's announcement comes on the heels of a C$332m (US$251m) hostile bid by Toronto-based Metall Mining for all Musto's outstanding shares. Metall's offer is conditional, however, on Musto not signing a legally-binding joint venture agreement, or other arrangement to dispose of any substantial part of its 100 per cent interest in Alumhrera.

Metallgesellschaft (MG), MIM and Metall were the pillars of what was designed in the mid-1980s to be a powerful mining alliance. The three companies forged a close relationship, including cross-shareholdings, hoard directorships and joint ventures.

However, as the rivalry for cootrol of Alumbrera shows, they bave begun to move apart. Metall, which is 50.1 per cent owned hy MG, recently sold its minority stake in MIM, and Mr Klaus Zeitler, Metall's chief executive officer, left the Australian company's board. MG is expected to dispose of its Metall shares as part of its financial restructuring. MIM retains a 3.5 per cent interest in MG.

Metall said thet it would formally launch its tender offer this week. It maintains that a decision on the project should be taken by Musto'e shareholders, not its management.

Avalanche of paper threatens investment in India

A flood of money has exposed faults in the antiquated stock settlement system, reports Stefan Wagstyl

The recent rush of foreign portfolio investmant into India is threatening to overwhelm the country's primitive stock settlement system.

The investments, more than $1bn, are generating so much paperwork that the Bombay-based foreign banks – which handle the transactions as custodians for foreign investors – are being huried in an avalanche of transfer forms, share certificates, cheques and revenue stamps.

Hongkong and Shanghai Banking Corporation bas stopped servicing new customers – including clients who have already opened accounts hut not yet used them – and asked existing customers to limit trading volumes. Citibank of the US, Hongkong Bank's main competitor, has stopped taking on new business. Standard Chartered Bank, the third in the market, has only a small custody service in India – it says it has no backlog, hut refuses to take on more work than it can handle.

The bankers' informal ban on new clients mean that some of the India country funds launched in recent weeks will be unable to invest until the backlog of paperwork is cleared – which could take three months, according to Hongkong Bank officials.

"This is the world's largest paperchase," says Mr GC Dobhy, Hongkong Bank's chief executive officer for India. "The three banks are struggling to cope with a tidal wava of paper which threatens to overwhelm us." Some fund managers have postponed planned Indian investments until settlement procedures improve.

Few people in India were prepared for tha flood of foreign funds. The government, which is orchestrating radical economic reforms, opened the stock market to foreign portfolio investment only in late 1992 and, since foreign fund management companies had to register before being permitted to trade, it was not until the middle of last year that the first were ready to invest. Accumulated foreign portfolio investment soared from under $50m at the end of June 1993 to more than $1bn by the end of the year.

The Indian settlement system dates back to the Victorian era. Procedures are designed for the country's millions of small private investors, some of them buying as few as 10 or 100 shares, not institutions wanting to huy 100,000.

'The Indian settlement system dates back to the Victorian era. It is the world's largest paperchase'

Even under normal conditions, 10 to 20 days elapse between placing an order with a broker and payment/receipt of shares. The investor or his custodian (if he has one), then has to examine the share certificates to see if they tally with the transfer deeds; Standard Chartered officials say 121 items must he individnally checked, including dates, signatures and no less than four sets of serial nnmbers. Over a quarter of transactions contain errors.

Once the mistakes are corrected, the custodians must stick revenue stamps to each transfer deed and send off the papers to specialist registration companies which, despite being required by law to complate tbe registration of shares in the new owner's name in two months, often take three or four.

Nona of this is unique to India; practices in some other developing countries are similarly cumbersome. What compounds the problem in India is the country'a size and the complexity of its stock markat, which has · 22 separate exchanges and about 6,500 listed companies. Shares are commonly traded In lots of 10, 50 or 100, a practice geared to the small investor. So a fund manager who wishes to buy 10,000 must purchase thousands of separate lots. The hundles of paper in Hongkong Bank's Bombay offices bear witness to the enormous workload – scores of clerks work at desks piled with certificates and transfer deeds bound together with string, surrounded by tin boxes containing yet more certificates and deeds.

To help cope with work, the bank has rapidly expanded its custody staff from 30 at the end of October to 120 plus another 100 temporary clerks, working in two shifts six days a week. Citibank, with 70 people in custody services and Standard Chartered with 12 are also expanding. All three are trying to streamline their procedures and to secure more vault space.

Foreign fund managers have generally avoided Indian banks because they lack experience in international custody work and often do not have the capital to meet minimum, internationally acceptable standards for custody work. However, the State Bank of India, the country's largest commercial bank – which does meet the capital requirements – is preparing to enter the market.

In response to lobbying from the Hongkong Bank, the Indian finance ministry and the Securities and Exchange Board of India last month approved procedural improvements. These include the introduction of "Jumbo" transfer deeds, which will allow the custodian to use one transfer deed for the whole order instead of one per lot of shares; "Jumbo" share certificates, for lots of 1,000 shares or more; and the payment of stamp duty by cheques instead of revenue stamps.

However, it could take months before these procedures are accepted by the whole market, Including private investors, brokers and registrars as well as custodians. Eventually, the system will be replaced by computerised scripless trading and settlement. But this is unlikely to be introduced in India for at least two years and will at first be limited to leading shares.

Even though the paperchase should steadily become less frustrating, it will remain part of the price paid for doing business in India for a long time to come.

Rustenburg Platinum advances in half-year

By Matthew Curtin in Johannesburg

Rustenburg Platinum (Rusplat), the world's largest producer of platinum group metals, reported a 9.5 per cent advance in pre-tax profit to R184.7m (US$54m) in the half-year to December 31 against R168.7m a year ago.

The flagship of tbe Johannesburg Consolidated Investment group's platinum division staved off sluggish metal prices by increasing platinum output by more than 3 per cent and cutting costs, with some help from the rand's loss in value against the US dollar.

However, the interim dividend is held at 62.5 cents a sbare. Mr Barry Davison, managing director, said the improvement in the period was off a low base and Rusplat would no more than match 1992-1993 distributable profit of R281.4m in the current year.

Mr Davison said the small recovery in interim platinum and palladium prices to $379 and $129 an ounce from an average of $365 and $103 in 1992-1993 contrasted with the slide in rhodium and nickel prices. In the seme periods, they averaged $929 an ounce and $2.19 a pound, against $1,807 and $2.84 respectively.

He said the balance of supply and demand in the platinum market would not justify any significant improvement in prices In 1994 without solid economic recovery in Europe and Japan where demand for platinum-based catalytic converters was affected by falling car sales.

Interim net sales improved to R1.37bn from R1.34bn with cost of sales higher at R1.07bn compared with R1.05bn. A rise in total on-mine costs as output rose was mostly offset by lower refining costs associated with an increase in material being toll-refined on behalf of Rusplat's sister platinum mining companies.

Distributable profit stood at R133m against R110.1m after a gain in operating profit to R314.6m from R310.8m. Lebowa Platinum turned in pre-tax profit of R1.7m against a R9.4m loss.

NEWS DIGEST

India to part privatise state airlines

Air India, India's state-owned international airline, and Indian Airlines, the state-owned domestic carrier, are to be transformed from puhlic institutions into limited liability companies as a first step towards their partial privatisation, writes Stefan Wagstyl in New Delhi.

The government has formally approved the reorganisation plans, which form part of its economic reforms and include measures to promote greater commercial efficiency in state-owned enterprises.

Air India and Indian Airlines will now be free to raise funds in the capital markets and sell equity to private investors, though the government will retain at least 51 per cent holdings. The size, timing and conditions of share issues have yet to be determined.

Legislation agreed at the weekend also gives formal recognition to private airlines which have been operating in India for more than a year. They will now be permitted to publish schedules.

HK newspaper publisher up 1.8%

Soutb China Morning Post Holdings, the puhlisher of Hong Kong's leading English language newspaper, yesterday reported a 1.8 per cent rise in net profits to HK$258.36m (US$33.45m) for the six months to December 31. The dividend is being maintained et 6 cents, writes Louise Lucas in Hong Kong.

The results, the first to be reported since Malaysian millionaire Mr Robert Kuok paid US$349m to Mr Rupert Murdoch for control of the Post, show earnings per share have risen to 17.22 HK cents from 16.92 cents a year ago.

Last month, the group sold its loss-making Chinese language newspaper Wah Kiu Yat Po, two years after buying it, for HK$20m. It retains a 19.8 per cent "strategic interest".

The Post's impressive margins are likely to come under pressure with today'a launch of the Eastern Express, the first new English language newspaper for more than a decade.

Spawned by Oriental Press, the most profitable Chinese language pnhlisher in Hong Kong, the Eastern Express has already hired a number of former Post editorial staff and undercut advertising rates.

Simsmetal sharply ahead at halfway

Simsmetal, the Australian scrap metal and recycling group which was relisted in 1991 and has been actively expanding into North America, yesterday reported first-half profits of A$23.5m (US$16.6m) after tax, up sharply from the A$7.33m seen in the same period of 1992-1993, writes Nikki Tait. Revenues for the six months to end-December roee to A$363.2m from A$275.1m a year ago.

Simsmetal said that strong ferrous scrap prices, higher volumes and the weakness of the Australian dollar against the US currency helped produce the improved figures. It added that it is still negotiating to acquire interests in related husinesses in both the US and the UK.

Burns Philp in stake disposal

Burns Philp, the Australian food and hardware company which has been shedding non-core assets, yesterday announced that it had sold its 50 per cent interest in Five Star Shipping, which provides egency services for the Chinese national shipping line in Australia, to China Ocean Shipping Company, its joint venture partner, writes Nikki Tait. The sale, for an undisclosed sum, gives Cosco a 100 per cent interest in the business.

Burns said that the sale, along with other recent disposals had brought in cash of A$60m (US$42m) so far in the current financial year.

Bangkok Bank climbs on higher fee income

By Victor Mallet in Bangkok

Bangkok Bank, Thailand's largest hank, yesterday announced a 31.9 per cent rise in net profit to Bt13.90bn ($546m) last year from Bt10.54bn in 1992.

Pre-tax profit increased 31.7 per cent to Bt21.35bn from Bt16.21bn, while assets rose 17 per cent to Bt782.87bn from Bt666.01bn.

Thailand's commercial banks hava all profited from wide spreads between lending and deposit rates, but Bangkok Bank executives yesterday attributed much of last year'e improvement to higher fee income from value-added services.

Siam Commercial Bank, meanwhile, said its 1993 net profit rose 16 per cent to Bt4.85bn from Bt4.18bn in 1992, while pre-tax profit was up 15 per cent to Bt6.70bn. Assets rose 18 per cent to Bt325.08bn.

Some stockbrokers said the fourth-quarter results of the two banks were slightly below expectations. Thai Farmers Bank last week announced that its 1993 net profits had risen 52 per cent to Bt7.94bn, although the bank later disclosed that Bt1.5bn of that came from the sale of shares in finance and securities companies; excluding share sales, TFB net profit was up only 23 per cent.

Bangkok Bank's management was described by one stockbroker yesterday as "a little bit directionless" following the departure last month of Mr Vichit Suraphongchai, the bank's president.

Bangkok Bank is planning to issue $400m to $500m of convertible, 10-year Eurobonds, the largest such issue to date hy a Thai company, in order to strengthen its capital base.

Buyers move back into German bunds and futures

By Antonia Sharpe in London and Frank McGurty in New York

German government bonds and futures built on last Friday's gains yesterday as news of a further delay in the publication of the M3 data for December prompted buyers to move back into the market. The March bund future on Liffe traded at 100.53 in moderate volume in the late afternoon, up 0.16 points on the day.

The Bundesbank said that the data would not be ready until later this week due to technical difficulties caused by changes in their compilation.

Mr Klaus Baader, senior international economist at Lehman Brothers in London, said that the delay had lessened the impact of a poor December figure and was encouraging the market to focus on the M3 data for January, which is expected to show an improvement.

The delay in the December number also prompted market participants to cast their bets on whether the Bundesbank would cut interest rates at its fortnightly council meeting on Thursday.

Dealers said that last week's favourable inflation data and the likelihood of weak industrial production data for the fourth quarter had raised hopes that the Bundesbank would cut rates by between a $\frac{1}{4}$ and $\frac{1}{2}$ point.

Some dealers said they believed that there was a 50 per cent to 70 per cent chance of a cut on Thursday. However, some economists said that the Bundesbank would be reluctant to cut rates during the current round of wage talks in Germany.

■ UK government bonds rose by up to $\frac{1}{2}$ point at the long end as the release of a lower than expected M0 money supply figure for January revived hopes of an early cut in UK interest rates.

"The soft M0 number showed that the economy is moving ahead rather than flying ahead," said Mr Kit Juckes at S.G. Warburg Securities. He added that the recent media reports highlighting the competition in food prices gave further support to the favourable outlook for inflation.

GOVERNMENT BONDS

The market also appeared to be more comfortable now that most of the unwanted supply from last week's gilts auction had found a home, Mr Juckes said. The March long gilt future on Liffe traded at 119$\frac{1}{2}$ in the late afternoon, up $\frac{3}{16}$ on the day.

■ Italian government bonds and futures held their ground as the market awaited the results of 10 and 30-year bond auctions which were released just after the market closed. The auction results showed net yields easing on both issues. The March Liffe contract rose 0.33 on the day to 118.75.

■ Japanese government bonds and futures recovered their poise in London trading after tumbling in Tokyo in reaction to the surge in the Japanese stock market.

Expectations that the long-awaited fiscal stimulus package would be announced this week had also contributed to the fall in Tokyo. Market forecasts for the overall size of the fiscal stimulus range from Y14,000bn to Y16,000bn.

The yield on the benchmark No 157 JGB rose by 10 basis points to 3.55 per cent at the close in Tokyo but fell back to 3.53 per cent in London. The March futures contract went as low as 112.74 in Tokyo before closing at 113.25, down 0.65 from Friday's closing level. However, it clawed back to 113.43 in London.

Mr Adam Chester, international bond strategist at Yamaichi International in London, said he believed that the yield on the No 157 would not breach 3.6 per cent since the market was now looking cheap.

The prospect of a $\frac{1}{2}$ point cut in the discount rate at the beginning of March could help the yield to go back below 3 per cent, he added.

■ US Treasury bond prices held steady yesterday morning as traders digested blunt comments by the Federal Reserve Board chairman about the risks of inflation.

By midday, the benchmark 30-year government bond was $\frac{1}{16}$ higher at 100$\frac{17}{32}$, with the yield slipping to 6.206 per cent. At the short end of the yield curve, the two-year note edged $\frac{1}{16}$ lower to 99$\frac{7}{8}$, to yield 4.115 per cent.

The market reacted with equanimity to yesterday's testimony by Mr Alan Greenspan, the Fed chairman, before the joint economic committee to Congress.

In discussing the US economic outlook, Mr Greenspan stressed the difficulty facing the central bank in detecting latent inflationary pressures in time to contain them.

Nevertheless, he emphasised that monetary policy "must not over-stay accommodation" and reaffirmed his view that maintaining the confidence of the financial markets was crucial to lowering inflationary expectations.

The vigilant tone of his remarks brought modest improvement to the long end of the maturity range, which is most sensitive to the signs of higher inflation.

With traders pre-occupied by Mr Greenspan, the market showed little reaction when the Purchasing Management Association of Chicago said its January index of economic activity fell to an adjusted 59.6, from a revised 62.2 last month.

The regional slowdown may prove to be a preview of the trend indicated in the national purchasing managers' survey, which is due to be published today.

Triple-A derivatives vehicle for Lehman

By Tracy Corrigan

Lehman Brothers has set up a triple A-rated derivatives unit with an innovative structure designed to allay concerns about such vehicles and reduce the cost to the parent.

Half a dozen banks have so far established separately capitalised units for trading derivative products, in order to offer credit-sensitive clients a triple-A rated counterparty.

Unlike existing derivatives units, trades executed to hedge derivatives exposure will be contained within the Lehman vehicle, Lehman Brothers Financial Products (LBFP).

Mr Jim Vinci, managing director in charge of LBFP, said it seemed "unnatural to separate the hedges from the swap book, so we decided to bring the hedges within the vehicle to make it more sustainable".

As a result, the rating agencies are accepting a lower level of collateral.

If the company runs into problems, a contingent manager will continue to run the existing swaps book. In some other structures, such as Salomon Brothers' Swapco, certain predetermined events trigger the termination of contracts.

This technically complex innovation could be replicated by other banks. "It could be grafted on to existing structures," said Mr Jeremy Gluck, a senior analyst at Moody's.

In 1993, Lehman Brothers executed a notional $360bn of business on its global fixed income swaps book, about 38 per cent outside the US.

"We think that we will experience a substantial increase in business," said Mr Vinci.

LBFP will initially have $200m in capital.

Portugal launches Ecu750m global issue

By Conner Middelmann

Portugal yesterday launched the first ever global Ecu bond, which benefited from scarcity of 10-year supply in the Ecu market combined with strong investor appetite for sovereign global debt.

"The issue was oversubscribed – we were sold out even before we issued invitations to co-managers," said one of the lead managers, reporting strong demand from European and US accounts.

The Republic of Portugal issued Ecu750m of global bonds due February 2004 via joint lead managers Dresdner Bank, Morgan Stanley International and Paribas Capital Markets. The bonds will be priced today at an indicated spread of 28–30 basis points over the 6 per cent Ecu OAT due 2004.

"Given the strong demand for the issue, I suspect that the spread will be at the low end of that range," said one trader.

While many participants felt that the pricing was aggressive, they said it was justified by the scarcity of long-dated supply in Ecu sector. It is also hoped that the issue will breathe new life into the slowly reviving Ecu bond market.

INTERNATIONAL BONDS

According to Mr Manuel Pinho, director general at the Portuguese Treasury, favourable market conditions and Portugal's commitment to a single European currency prompted it to issue Ecu bonds.

Investor demand for the issue was further boosted by talk that it could be Portugal's last foray into the international bond market this year.

According to Mr Pinho, Portugal will not tap the Eurobond market as heavily this year as it did in 1993, when it issued three international bonds in yen, D-Marks and US dollars totalling the equivalent of $2.1bn.

In 1994, it can borrow the equivalent of some $2.2bn on the international market, but according to Mr Pinho, "our main priority now will be developing the domestic market – external borrowing will be marginal". Among other domestic market reforms, Portugal plans to abolish withholding tax on non-residents this year.

Elsewhere, Rabobank Nederland issued $100m of the first foreign-exchange range floating-rate note via Samuel Montagu. The one-year notes pay a coupon of three-month Libor plus 50 basis points, but interest accrues only on days when the spot D-Mark/dollar exchange rate lies between DM1.6200 and DM1.8800.

The notes work on the same principle as the recent interest rate range floaters, where interest accrues only on days when the Libor fixing falls in a specific interest rate corridor.

Other structured deals included $100m of one-year range floaters for the Council of Europe via Salomon Brothers and C$150m of 10-year floored FRNs for Goldman Sachs Group.

In the Yankee market, the Province of Quebec launched $1bn of 30-year bonds via Merrill Lynch, due to be priced at a spread of 81–83 basis points over the old long bond.

● The Republic of Italy expects to issue bonds on foreign markets worth the equivalent of $10-$12bn this year, according to a Treasury statement, Reuters reports.

Issues in 1994 would be in the major international currencies and would be fixed or floating rate, according to market requirements and investors' preferences, the Treasury said. In 1993, the Treasury returned to non-domestic markets after a two-year break and issued some $12bn of Eurobonds, samurai bonds and dollar-denominated global bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Council of Europe‡	100	(a)	100.00R	Feb.1995	undiscl.	-	Salomon Brothers Intl.
Rabobank Nederland‡	100	(b)	100.00R	Feb.1995	0.10R	-	Samuel Montagu & Co.
Daimler-Benz Nth.America(c)	80	zero	99.00	Feb.1995	0.20R	-	JP Morgan Securities
D-MARKS							
Deutsche Finance(Neths)(d)	500	5.75	100.23	Feb.2004	2.50	-	Deutsche Bank
FRENCH FRANCS							
Compagnie Bancaire(e)	2bn	6.50	101.50R	Dec.2004	0.375R	+60 (5½%-04)	CCF
Soc. Gen. Acceptance(f)	400	zero	100.00	Feb.2002	-	-	Société Générale
CANADIAN DOLLARS							
Goldman Sachs Group‡	150	(g)	99.80R	Feb.2004	0.375R	-	Goldman Sachs Intl.
GUILDERS							
Rabobank Nederland	500	5.875	100.25R	Mar.2004	0.25R	+19 (5¾%-04)	Rabobank Nederland
SNS Group	500	5.50	100.05R	Mar.1999	0.30R	+32 (7%-99)	SNS Bank Nederland
ECUS							
Republic of Portugal	750	(h)	(h)R	Feb.2004	0.35R	(h) (6%-04)	Dresdner/M.Stanley/Paribas
AUSTRALIAN DOLLARS							
Toronto Dominion Australia	100	5.75	100.90	Mar.1997	1.50	-	Hambros Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Interest only accrues on days 3-mth Libor falls within the following ranges: 1st 6 mths 0-4%, 2nd 6 mths 0-4¼%. b) Interest only accrues on days DM/$ FX rate is ≥1.62 and ≤1.88. c) Redemption proceeds: 100% + 1.254 x (JPM Emerging Mkts Bond Index - 231); min 90%. d) Issue launched 4/1/94 was increased to DM1.5bn. e) Fungible with outstanding FFr2bn. Plus 82 days accrued. f) Puttable 6/2/95-18/1/02 at 92% x SBF-120 index closing/1,571. Puttable 7/2/94-18/1/02 at 90%. Redemption proceeds: 92% x SBF final/1,571, min 100%. g) Coupon: 3-mth BA's flat; min 5%. h) Priced today at 28-30bp over French OAT's.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	08/04	122.0700	+0.330	6.14	6.30	6.84
Belgium		7.250	04/04	105.3800	+0.030	6.51	6.55	6.34
Canada *		7.500	12/03	108.2000	-0.270	6.36	6.34	6.62
Denmark		7.000	12/04	107.7200	+0.100	6.01	6.00	6.10
France	BTAN	6.000	05/98	110.8500	-	5.10	5.13	4.99
	OAT	8.250	02/04	119.3100	+0.210	5.66	5.67	5.63
Germany		6.000	09/03	102.1600	+0.260	5.70	5.73	5.54
Italy		8.500	01/04	100.8400	+0.240	8.37†	8.39	8.51
Japan	No 119	4.800	06/99	108.6990	-0.110	2.93	2.82	2.37
	No 157	4.500	06/03	107.5810	+0.220	3.43	3.29	3.04
Netherlands		5.750	01/04	100.6500	+0.050	5.66	5.67	5.50
Spain		10.500	10/03	118.1600	+0.400	7.76	7.86	8.05
UK Gilts		6.750	01/98	114-04	+2/32	5.68	5.66	6.61
		6.750	11/04	104-06	+12/32	6.15	6.09	6.10
		9.000	10/08	123-12	+13/32	6.51	6.42	6.39
US Treasury *		5.750	08/03	100-26	-4/32	5.63	5.67	5.87
		6.250	08/23	100-19	-2/32	6.21	6.27	6.39
ECU (French Govt)		6.000	04/04	100.3500	+0.230	5.95	5.87	5.91

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

		Treasury Bills and Bond Yields			
		One month	2.96	Three year	4.36
		Two month	2.96	Five year	5.01
Prime rate	6	Three month	3.03	10-year	5.58
Broker loan rate	5	Six month	3.23	30-year	6.20
Fed.funds	3¼	One year	3.50		
Fed.funds at intervention	3¼	Two year	4.12		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.62	130.66	+0.16	130.80	130.50	120,272	146,640
Jun	130.10	130.22	+0.16	130.24	130.10	127	12,407
Sep	129.28	129.42	+0.16	129.40	129.26	62	2,422

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
128	-	-	-	0.04	-	1.00
129	1.79	-	-	0.10	0.73	-
130	0.96	1.31	1.30	0.29	1.08	1.92
131	0.38	0.84	0.94	0.72	-	2.50
132	0.13	0.49	0.62	-	-	-
133	0.04	-	-	-	-	-

Est. vol. total, Calls 11,514 Puts 20,153. Previous day's open int., Calls 280,617 Puts 321,475.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.35	100.51	+0.14	100.65	100.30	85486	163555
Jun	100.29	100.46	+0.13	100.53	100.28	193	5048

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10050	0.39	0.89	0.38	0.93
10100	0.19	0.67	0.68	1.21
10150	0.08	0.49	1.07	1.53

Est. vol. total, Calls 13427 Puts 11006. Previous day's open int., Calls 243891 Puts 189473

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.05	103.13	+0.08	103.17	103.03	618	8564

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118.50	118.80	+0.30	119.08	118.47	43486	84951
Jun	119.04	119.03	+0.28	119.18	119.01	414	5581

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11850	1.01	2.49	0.71	1.96
11900	0.76	2.23	0.95	2.20
11950	0.52	1.98	1.22	2.46

Est. vol. total, Calls 1794 Puts 6971. Previous day's open int., Calls 46808 Puts 53803

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.77	107.15	+0.38	107.24	106.75	38,593	91,805
Jun	107.00	107.09	+0.94	107.20	107.00	561	6,201

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118-25	119-07	+0-13	119-13	118-23	63138	108509
Jun	118-16	118-18	+0-13	118-15	118-15	100	713

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
119	0-55	1-37	0-41	1-63
120	0-27	1-10	1-13	2-36
121	0-11	0-53	1-61	3-15

Est. vol. total, Calls 6990 Puts 2929. Previous day's open int., Calls 104466 Puts 73863

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.42	121.50	+0.16	121.60	121.42	1,827	13,657
Jun	96.76	96.60	+0.16	96.76	96.76	1	180

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	117-11	117-10	-0-04	117-17	117-06	433,333	342,104
Jun	116-10	116-06	-0-04	116-13	116-05	6,434	22,404
Sep	115-07	115-06	-0-05	115-06	115-07	7,122	33,340

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	113.20			113.50	113.20	2069	0
Jun	112.21			112.37	112.21	105	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jan 31	Day's change %	Fri Jan 28	Accrued interest	xd adj. ytd		Low coupon yield Jan 31	Jan 28	Yr. ago	Medium coupon yield Jan 31	Jan 28	Yr. ago	High coupon yield Jan 31	Jan 28	Yr. ago
1 Up to 5 years (25)	129.24	+0.02	129.21	1.52	1.23	5 yrs	5.65	5.68	6.50	5.87	5.88	6.99	5.98	5.98	7.19
2 5-15 years (22)	161.65	+0.12	161.96	1.38	1.97	15 yrs	6.40	6.43	8.10	6.50	6.53	8.56	6.69	6.71	8.82
3 Over 15 years (8)	188.87	+0.34	188.23	1.32	1.64	20 yrs	6.51	6.54	8.44	6.53	6.56	8.78	6.70	6.72	8.93
4 Irredeemables (6)	227.58	+0.21	227.10	2.48	0.00	Irred.†	6.62	6.64	8.85						
5 All stocks (61)	158.51	+0.15	158.54	1.45	1.85										

Index-linked							Inflation 5% Jan 31	Jan 28	Yr. ago	Inflation 10% Jan 31	Jan 28	Yr. ago
6 Up to 5 years (2)	191.47	+0.04	191.40	1.86	0.00	Up to 5 yrs	2.23	2.24	2.13	1.36	1.37	1.29
7 Over 5 years (11)	192.33	+0.11	192.12	0.80	0.57	Over 5 yrs	2.93	2.93	3.69	2.75	2.76	3.50
8 All stocks (13)	191.30	+0.10	191.11	0.71	0.51							

Debentures and Loans						5 year yield Jan 31	Jan 28	Yr. ago	15 year yield Jan 31	Jan 28	Yr. ago	25 year yield Jan 31	Jan 28	Yr. ago
9 Debs & Loans (65)	157.72	+0.28	157.46	2.72	0.56	7.36	7.40	8.88	7.49	7.53	9.69	7.58	7.61	9.80

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 31	Jan 28	Jan 27	Jan 26	Jan 25	Yr ago	High*	Low*
Govt. Secs. (UK)	108.46	108.36	108.28	108.51	108.95	95.21	107.60	93.28
Fixed interest	132.44	132.37	132.63	133.09	133.86	109.94	133.87	108.87

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.10 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24
Gilt Edged bargains	146.1	135.6	165.5	113.9	100.0
5-day average	132.3	123.6	121.8	117.9	122.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on January 31

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 00	1000	101⅞	102¼		6.22
AlbertaProvince 9⅞ 95	500	108¼	108⅝	-⅛	4.32
Austria 8½ 00	400	114⅝	115	-⅛	5.58
Bank of Tokyo 6⅝ 98	100	107¼	107⅝	-⅛	4.82
United Kingdom 7¼ 97	5500	106⅛	106⅝	+⅛	5.12
Volkswagen Intl Fin 7 03	1000	102⅞	103⅛	-⅛	6.57
World Bank 0 15	2000	28¼	28½	-⅛	5.97
World Bank 5¼ 96	300	102⅞	103¼		4.30
World Bank 8¾ 00	1250	116⅞	117⅛		5.47
Alliance Leics 11⅛ 97 £	100	115½	116		6.00
British Gas 12¾ 95 £	300	107⅛	107¼		5.24
British Land 8⅞ 23 £	150	106⅝	107⅛	+⅛	8.44
EIB 10 97 £	637	111⅝	112		5.69
Halifax 10⅜ 97 £	100	112½	112⅝	+⅛	5.83
[illegible]					

UK GILTS PRICES

[illegible]					

'Tap' stock. †† Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Institutions study pay performance scheme for executives

Pioneering package from Reuters

By Andrew Bolger

Reuters, the international financial information and news group, is pioneering a form of executive remuneration which links rewards of senior executives directly to the group's future returns to shareholders.

The scheme is being studied by investment institutions and other FT-SE 100 companies, which must decide soon how to replace the executive shore option schemes which many companies adopted 10 years ago following changes in UK tax law.

Institutions have made it clear they will support only share option schemes which are performance-related, but there is still widespread debate over which indicators best reflect executive achievement.

Reuters has decided that instead of conventional share options, it will offer senior executives a long-term incentive scheme, in addition to their base salary and annual cash bonus.

The scheme yields benefits worth up to or more than annual salary if Reuters' longer-term performance is rated good or outstanding, but nothing if it is inadequate. Performance is measured by comparing the cash return to a shareholder, including dividends, from investing in Reuters with that from other companies in the FT-SE 100, over three to five years.

Exacutives are awarded restricted shares at the beginning of the performance period, which are released at the end of five years, subject to performanca criteria. No shares are released if Reuters is ranked in the last 25 companies, hut all are released if it is in the top 40, with a graduated release between these two points.

The driving force behind the new approacb is Sir Christopher Hogg, chairman of Reuters, who is one of the UK's most respected managers and an adviser to the Cadbury committee on corporate governance.

Sir Christopher said the main weakness in current share option scbemes was that they assumed a tight linkage between management performance and share price. This was fallacions, because other factors could be influential, and there could be time-lags hetween management ections and their impact on results.

He said: "Shareholders can, on occasion, feel that managars hava heen excessively rewarded hy share option schemes. Managers, on the other hand, can view optinn schemes as a hit of a lottery – and unfair as well in that background conditions can vary uncontrollahly . . .

"In particular, managers can do very well out of a strong stock market, even though their own company's results – and share price performance – may have been relatively poor. Conversely, an excellent set of company results may produce little or no stock option benefits if the stock market has fallen significantly during the option period."

Reuters considered measuring management performance hy other criteria – such as return on assets, cashflow or profit margins.

The chalrman said: "The trouble is that they all measure past performance only – and that only in accounting terms. Furthermore, they are beet measured as different parts of a total approach, since none of them provides a satisfactory total view.

"Earnings per share comes nearest, but is still limited in what it actually measures and is also open to material variation, both as between companies and from one period to another, hy virtue of different accounting treatments."

Sir Christopher hoped the Reuters scheme – which initially covers 17 executives – would contribute to the looming UK debate on executive remuneration.

Boston Consultancy Group, the strategic management consultant which helped to develop the scheme, calculated the return from Reuters would have been in the top 40 of FT-SE 100 companies in five of the past six years.

See Lex

Interest income helps ML halve loss

By Peggy Hollinger

A sharp rise in interest income helped ML Laboratories, the pharmaceutical research company which recently won UK approval for its kidney drug Icodextrin, to halve pre-tax losses from £887,000 to £453,000 in the year to September 30.

Interest earnings on its £13.6m cash balances, the product of a £15.8m rights issue in 1992, pusbed iovestment income up from £420,000 to £1.3m. loterest payable fell to £85,000 (£118,000).

The gronp said yesterday that it was at an advanced stage in negotiations with international companies over marketing and distributing the renal dialysis drug which was approved in January. Mr Stuart Sim, finance director, said that in the event the negotiations failed, ML was running its own parallel distribution programme to about 100 renal units in the UK. ML was prepared to "go it alone" if it could not reach satisfactory arrangements with other companies, he said.

ML, whicb has not made an annual profit since its 1987 flotation, is expected to receive an income for the first time this year from sales of the drug. It has applied for approval of Icodextrin in the rest of Europe and expects licensing hy the middle of the year. Mr Sim said the group would then seek licences in the US and Japan.

ML estimates that there are abont 500,000 dialysis patients worldwide, and that the market would grow by a compound annual rate of 9 per cent. In the past Mr Sim has estimated the market for Icodextrin – which makes it possible for patients to go longer between fluid changes and has fewer side effects than other drugs – is about £487m a year.

ML said it planned to apply for approval of its respiratory drug this year, and expected approval in 1995. However, discussinns were already under way on a commercial distribution agreement and it was possible that an advance payment might be made as part of an agreement.

ML's sales, the result of consultancy work, rose from £604,000 to £823,000. Losses per share fell from 3.5p to 0.3p. There is no dividend.

ML spent about £2.2m on research and development, similar to last year.

Haynes Publishing shows 40% rise

By Gerard Baker

Mr Max Pearce, chief executive of Haynes Publishing Group, said that the company's profits for the six months to November 30 marked the near-completion of the turnaround in its fortunes following a difficult few years.

Pre-tax profits of the publisber of car and motorcycle maintenance manuals advanced 40 per cent from £1.51m to £2.11m pre-tax on turnover up 12 per cent at £12.4m, against £11.1m. Earnings per share rose from a restated 5.9p to 8.1p and the directors declared an interim dividend of 4p (2.3p restated for November's 1-for-2 scrip).

The improved profits performance derived equally from UK and US operations. The UK trading companies saw operating profits rise 34 per cent to £1.11m on turnover up just 2 per cent to £6.47m. Mr Pearce said substantial efficiency gains and continuing retrenchment in loss-making general publishing activities had helped profitability. In the past three years the company's payroll has fallen by a third to 200.

US sales continued to grow and, at £5.94m (£4.77m), now account for nearly balf the company's total. Higher turnover represented both improved trading conditions and continuing gains in market share. US operating profits – at £1.61m (£1.23m) – rose 13 per cent in dollar terms but were 30 per cent higher when measured in sterling owing to favourable exchange rate movements. Mr Pearce said that the completion in November of a new printing facility would yield further advances in the US.

The company's cash position also improved sharply. Borrowings were eliminated in August, having peaked at £5.2m in December 1990. By November 30 the company had £2.4m on deposit.

Mr John Haynes, chairman, said the company's fortunes were closely linked to new car sales, and the recent upturn in the US and UK would further assist recovery. The shares closed down 8p at 490p.

Berisford shareholders give go-ahead for Magnet takeover

By Maggie Urry

Shareholders of Berisford International, the former commodity and property group, voted in favour of the £56m reverse takeover of Magnet, the kitchen and joinery manufacturer and retailer, at a special meeting yesterday.

The meeting also approved the increase in share capital necessary for the 1-for-2 rights issue at 120p which is financing the purchase.

Mr John Sclater, chairman, said the acquisition was "an ideal first step in Berisford's growth strategy". He said it was "the best news" he had heen able to announce since becoming chairman in 1990 and was the "first step in huilding a successful conglomerate".

One shareholder suggested the rights price was at too small a discount to the 128p suspension price. Mr Sclater said that when the shares resumed trading – this morning – he had "a suspicion you may have a nice surprise". Brokers expect the shares to open at a significant premium to the suspension price.

The same shareholder was concerned that the move represented a diversification from Berisford's old core husiness. Mr Alan Bowkett, chief executive, said he was pleased to say that "no-one on your board has experience of the old core business". He said Berisford was "a new company going forward in a new husiness".

The EGM was preceded hy the AGM, when Mr Sclater said that trading was in line with budget. Ketlon, the automotive components subsidlary had "just received a large inaugural order from Honda".

The recent earthquake in Los Angeles had not injured employees or damaged Berisford's property there. However, "it is clear there will be some disruption to business over the coming months".

Europa merger thrown into confusion

The proposed three-way merger between Europa Minerals, a small UK-quoted mining finance house, and two Australian groups with which it is already closely associated – Burmine and Austmin Gold – was thrown into further confusion yesterday when the Supreme Court of Western Australia granted an injunction preventing the formal offer being made until at least February 9, writes Kenneth Gooding.

Mount Edon, another small Australian gold producer which has made a counter offer for Burmine, obtained the injunction hy claiming that the proposed £15m offer by Burmine for Europa would be in breach of Australian Corporations Law and incapable of being implemented in its presaot form.

Canadians buy part of Rutland drinks arm

By David Blackwell

Rntland Trust, the financial and husiness services gronp, yesterday sold part of Ben Shaw's, the Yorkshire soft drinks manufacturer, to Cott Corporation of Canada, the rapidly expanding North American soft drinks company.

Last week Cott entered the European market through a five-year agreement with Cadbury Schweppes under which

Michael Langdon: joining board of Cott in UK

Cadhury bottling plants will prodnce drinks for a newly-formed Cott snbsidiary in Europe.

Cott is the leading producer of the private-label colas which are making big inroads into the US market. It has grown rapidly hy snpplying North American supermarket chains such as Wal-Mart with own-label colas. Profits at the nine-month stage to end-October last year were more than donhled to C$26.2m (£13.2m) on turnover that also more than doubled to C$502m.

Mr Gerald Pencer, chief executive of Cott, said that the acquisition marked Cott's move into the UK market and was part of its wider strategy of developing into Europe.

The Canadian company is initially paying £6m for 51 per cent of Ben Shaw's Pontefract canning line operation, which had a turnover of £40m in the 11 months to the end of December last year.

Last August, Rotland paid £5.7m for 84 per cent of Ben Shaw's, a family-owned firm that ran into trouble through over ambitious expansion.

Mr Michael Langdon, chairman of Rutland, said Cott had the optioo to huy a further 31.5 per cent of the Pontefract operation in 12 months time for a minimum of a further £5m and a maximum of £7.5m, depeoding on 1994 earnings. Rutland would retain 17.5 per cent.

Mr Langdon, who is also chairman of Ben Shaw's and will be joining the board of Cott in the UK, said the company had rationalised its canning operations and aggressively pursued sales to the hig UK supermarkets.

One investor buys rump of Trafalgar rights

By Maggie Urry

The rump of Trafalgar House's £404m rights issue was bought entirely hy one investor, believed to be a Scottish institution, in an auction arranged by the underwriters yesterday.

The 1-for-3 rights issue of convertible preference shares, offered at 100p, was taken up hy 91.5 per cent of shareholders.

That left 30.2m shares for which the underwriters had to find subscribers. The proceeds from selling these shares goes to shareholders who did not take up their rights.

The attraction to the buyer was said to be the yield on the shares. They offer a 6 per cent net rate of interest, but to a non-taxpaying investor, and at the 141¼p hid price, the yield is about 5.3 per cent.

Instead of taking the usual route of placing the shares, Swiss Bank Corporation and Robert Fleming auctioned them at 4.30pm yesterday. The winning hid came from one institution which put in an "all or nothing" hid at 141¼p. Another institution was a close second with a bid for the lot at 141p.

The price compares with a closing price of 139½p to 140¼p for the convertibles. Trafalgar House shares rose 5p to 109p.

Although there was a higher bid for a smaller amount, at 141½p, the average of bids, excluding the two "all or nothing" offers, was 140.316p.

SBC said that the auction had produced a better price for shareholders than the usual placing method. The auctioo was brought to the UK equity market last year when a number of companies offered enhanced scrip dividends with a cash alternative provided througb selling unwanted shares.

However, the use of the auction in a rights issue has ruffled some feathers. One institutional investor which did not bid in the auction said yesterday, "usually if you underwrite an issue you expect to get a chance at the rump". Brokers involved played down suggestions of a row, saying everyone's first concern was to get the best price for shareholders.

Glimmer of hope over Richmond Oil relisting

By Peggy Hollinger

Richmond Oil & Gas, the natural resources company which has lost or sold virtually all of its original assets over the past two years, yesterday offered sharaholders a glimmer of hope by suggesting that its shares might resume trading in the next few weeks.

Long-suffering investors, who have watched the share price fall from a peak of 173p to September's suspension price of 4½p, were told at the annual meeting that Richmond was in negotiations which could lead to a relisting.

Richmond is understood to be in talks with its joint venture partner, Northstar Energy, a Panamanian company owned by Annum International, a Luxembourg vehicle for Lithuanian and US interests. Northstar last year bought 85 per cent of Richmond's interest in a Russian joint venture to enhance production in a Siberian oil field. It is understood that this interest, along with some other properties, may be sold back to Richmond in return for shares.

Northstar is also understood to be seeking board representation. Richmond has just four directors, three of whom are non-executive, following the resignations last month of its chairman and managing director. Discussions with Northstar are expected to be concluded within the next six weeks.

Richmond also unveiled a sharp jump in interim losses from £386,000 to £963,000 for the six months to September 30. Turnover fell from £1.5m to £34,000.

The company also stated that it had agreed a revised price for the sale of its coalbed methane properties, which have heen the subject of protracted disputes. Richmond had received $4.5m (£3m), instead of $6.2m, in return for enhanced repurchase options. There is the possibility of up to a further $1.1m, depending on the resolution of the disputes.

The directors stated in the 1993 results, published last month, that the company's commercial future depended on receiving a minimum consideration of $5.5m.

Restatement cuts Embassy to £1.25m

Embassy Property Group, the development and construction company, has published restated figures for the year to end-March 1993.

The outcome is a reduction in the previously reported pre-tax figure from £1.67m to £1.25m and a drop in earnings per share from 3.03p to 2.3p.

In September last year, when reporting its results, the USM-quoted group announced it was examining ways to refinance part of its debt and to raise additional funds. The shares were temporarily suspended pending details of the refinancing.

As part of the negotiations, the company considered it appropriate to have a formal valuation on some of its properties.

The valuation highlighted reduced net realisable values, and the resulting deficit has been incorporated in the 1993 accounts.

Biotechnology, jute and oil in a jam jar

By David Blackwell

An oil slick in a jam jar was yesterday used to demonstrate plans by Titaghur, the owner of six jute mills in Calcutta, to move into hiotechnology.

The crowded annual meeting approved the delayed accounts showing that Titaghur had incurred a loss on ordinary activities of £4.3m on turnover of £29m in the year to end-March 1993, taking the accumulated deficit to £61m.

Mr Reg Brealey, chairman, attributed the latest loss to inconsistent supplies of raw jute. He apologised to shareholders at London's Charing Cross Hotel for the delay in presenting the accounts, blaming prohlems in Calcntta. Accounting there was not computerised, but was all done by hand, he explained.

Since last March the group has made two acquisitions – West Midlands Surfacing, a road maintenance company, and Knoydart Peninsula, a Scottish estate to be used for youth training.

Mr Joseph Lowe, bead of the new Titaghur Environmental offshoot, said the gronp was planning two areas of development in biotechnology.

The first involves organic material that soaks up oil but rejects water. It will be put into jute hags and held in place over oil and other spillages by jnte booms. The absorbed pollntant can then be disposed of safely.

The second involves the commercial production of spirulina platensis, a hlue-green algae which has existed for 3½bn years and contains three times the protein in soya.

The algae, which in its dried form smells like seaweed and sells at £186 a kilo, can be grown in open ponds, bnt Titaghur claims to be the first company to produce it in a closed circuit system, guaranteeing purity.

NEWS DIGEST

CapCo in £162m acquisition

Capital & Connties, the property company owned by TransAtlantic Holdings, has paid Sun Alliance £162m for part of the Harlequin shopping centre in Watford.

The purchase, which is due to he completed on February 28, will mark the end of a legal dispute between the two companies. The dispute centred on different interpretations of the agreement governing how the centre's rental income is split between the two companles.

TSMS venture

TSMS, the television sales house which sells airtime for Central, Anglia, and Ulster TV, has opened a joint venture office in London with the Paris-based IP sales group, which is wholly owned hy Havas, the French media company.

The joint venture, which TSMS said was the first of its kind in Europe, will seek continental advertisers for TSMS' UK clients and will promote IP's media sales portfolio.

EFM Small Cos

Net asset value per ordinary share of EFM Small Companies Trust stood at 104.6p at December 31. That compared with the issue price of 100p and the net asset value of 96p on the first dealing date of August 19 1993.

After-tax revenne for the period July 9 – the trust's incorporation date – to end-December amounted to £211,000, equal to earnings of 0.42p.

Standard Life

Standard Life is cutting interim bonus rates for 1994 on with-profits endowment policies and unitised with-profits policies. The company said lower interest rates had reduced its expectations of future returns on its investments.

Values of longer-term policies maturing this year are slightly higher, due to good investment returns over the life of the policy, but payouts on shorter term policies have been reduced.

The value of a 25 year with-profits endowment maturing this month, taken out by a man aged 29, is £63,832, up 0.7 per cent from last year, while a 10-year policy would pay £6,472, down 5.4 per cent.

New London loss

For the six months to September 30, pre-tax losses of New London, the oil field services concern, fell from $4.26m to $1.38m (£920,000), from turnover lower at $58.4m against $69.7m.

Losses per share were 1.6 cents, compared with 4.7 cents.

Raglan Property

For £9.25m Raglan Property Trust has agreed to acquire, through its Raglan Development Management subsidiary, two office buildings from Aquis Property, part of Guardian Royal Exchange.

NEWS IN BRIEF

BTR said stockholders of Rexnord Corporation had overwhelmingly approved the merger agreement hetween Rexnord and BTR Dunlop Holdings. Of shares represented, 14.8m (99.9 per cent) were voted in favour of transaction.

CHIEFTAIN GROUP has paid £250,000 to administrative receivers for the assets of R Blackett Charlton, RBC Metal Testing and Davidson Engineering, together with tbe three trading names.

CHURCHBURY ESTATES, a wholly owned subsidiary of Greycoat, returned profits of £908,000 (losses £5.83m) pre-tax for the half year to end-September. Gross rental income fell to £2.03m (£3.1m). Earnings per share emerged at 6.9p (losses 44.9p).

FIRST PHILIPPINE Investment Trust: Fully diloted net asset value 91.8p (62.8p) at October 31. Net revenue for year £56,032 (£119,511) for earnings of 0.11p (0.24p) per share. Single dividend held at 0.2p.

GARTMORE AMERICAN Securities: Net asset value 52.8p per share at December 31. Net revenue for nine month period £866,000 for earnings of 2.34p. Third interim dividend held at 1p.

HALKIN HOLDINGS has received valid acceptances to LGW offer in respect of 5.57m shares (98.6 per cent).

ML HOLDINGS' subsidiary, Schopf Maschinenbau, has paid DM1.7m cash (£650,000) for the stock and intellectual property rights relating to the aircraft ground support equipment business of Luneburger Drahtwarenfabrik Dahms & Company of Luneberg, Germany.

NOBO GROUP subsidiary, Elite Optics, has exercised its option to acquire the freehold of the property in Mid Glamorgan from which it operates. Consideratioo is £862,500 cash.

STAT PLUS Gronp has acquired Birmingham Stationers, a West Midlands-based legal stationer, for an initial £250,000 with a deferred £100,000 payahle over a two year period.

SYCAMORE HOLDINGS has sold Ashworth Leisure and the assets associated with the marketing and distribution of its aluminium garden furniture range for £162,800 cash to Presbar Diecastings. Sycamore is retaining the assets of Ashworth's wooden garden furniture range.

WILLIS CORROON Group has acquired Guy Benefits, a Texas-based consulting firm, for a maximum $720,000 (£480,000) payable in two tranches.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
European Assets	fin	8‡	Apr 20	12	16	20
First Philippine	fin	0.2	Apr 6	0.2	0.2	0.2
G'more American	int	1♥	Apr 2	1	-	4
Haynes Publ'ing	int	4	Apr 29	2.333*	-	5.333*
Motor World	fin	4.7	Apr 1	-	7	-
TR Smaller Cos	int	1.5	Mar 14	1.5	-	3.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. ♥Third interim; makes 3p to date. ‡Dutch cents.

COMPANY NEWS: UK

Enlarged Motor World advances

By Andrew Bolger

Motor World Group, the car parts and accessories retailer floated last February, reported pre-tax profits of £3.65m, against £2.29m, for the year to October 31. On a pro forma basis profits rose by 17 per cent, from £3.3m to £3.9m.

Motor World's shares, which rose sharply after being floated at 210p, yesterday closed 8p higher at 373p.

Group sales grew by 15 per cent to £39.4m although the packaging and distribution division's turnover was flat at £9.8m.

The retail division's sales at £29.6m were ahead 21 per cent, and operating profits rose by 32 per cent to £2.9m. This reflected increased customer spend per visit through intensive sales training, a full contribution from 34 branches acquired during the previous financial year, and sales from 28 branches bought during the period.

Mr Darrell Kershaw, managing director, said the group was operating 201 stores by the end of October, and was on target to have 224 by the end of the current year, not including possible acquisitions. He looked forward to the coming year with "quiet confidence".

Mr Kershaw saw good opportunities for growth of the group's core business by expanding into the south of England and Scotland, as well as further infilling its network in the north of England, the Midlands and Wales.

Operating profits in the packaging and division slipped from £1.3m to £1.2m as a result of poor demand from fast-fit retailers, the division's largest customers, but there was an increase in orders at the end of 1993. The group said marketing improvements and cost-savings should bear fruit in future years.

Gearing at the year-end stood at 13 per cent, and is not expected to rise above 20 per cent.

Pro forma earnings per share were 19.7p compared with 16p. A final dividend of 4.7p gives a total for the year of 7p.

ISSUE NEWS

Nottingham coming to market with £80m tag

By Paul Cheeseright, Midlands Correspondent

Nottingham Group, which under its NES Arnold trade name claims to be the UK's largest educational supplier, is expected to be valued at over £80m when it comes to the market in the spring.

Goldman Sachs, arranging and underwriting its first UK flotation, and James Capel, the stockbroker, will seek to place and sell through intermediaries shares worth at least £14m.

Flotation terms are still under discussion but Nottingham needs £14m to redeem preference shares, issued to 3i and Citicorp Capital Investors Europe, its venture capital backers. Whether they will retain equity is not yet clear. Management, led by Mr David Mansfield, holds about 20 per cent of the equity. How much new capital will be sought from the market depends on whether Nottingham decides to clear all its debt, currently about £3m, and on whether it wants funds for expansion.

The decision to seek a market flotation springs out of studies on the way in which a £36.8m management buy-out from Coats Viyella in 1989 might be refinanced. "There is no pressure from the venture capitalists, but their dividend demands get more painful as time goes on", said Mr Mansfield.

Pre-tax profits have been rising steadily, reaching £7.1m on sales of £48.3m in 1992, the last year for which figures are available. Profits for 1993 are likely to be higher.

Tring strengthens board ahead of placing this month

By Michael Skapinker, Leisure Industries Correspondent

Tring International, the budget recording company, yesterday announced plans for its stock market flotation. It said that Mr Joseph Bollom, a director of First Leisure, and Mr Robert Leigh, chairman of Electron House, the electronic components distributor, had joined the board.

The flotation will be by way of a placing by UBS, with dealings expected to start on February 23.

The pathfinder prospectus, published yesterday, says that Tring faces legal claims over the rights to some of the music on its products. It adds, however, that the claims will not have a significant effect on its financial position.

The company says it has paid out only £50,000, including costs, to other companies over disputed music rights since 1990. Last month Tring paid £20,000 to EMI Music to settle two breaches of copyright actions. Among actions still outstanding are claims from music groups PolyGram and MCA.

Tring's pathfinder prospectus says it can be difficult to trace ownership of music rights, particularly of older material. It adds: "Many factors contribute to this problem, including poorly documented agreements with artists, a multiplicity of recordings of certain old popular hits and the absence of any comprehensive central register of rights."

Pre-tax profits for the year to March 31 1993 were £3.3m on turnover of £16.5m. Tring is forecasting profits for the current year of £5.1m.

It sells compact discs for £2.99 or £3.99 and cassettes for £1.99 or £2.99 through supermarkets, petrol stations and duty free shops. It also sells through Virgin and Our Price.

Last year, agreement was reached with the Royal Philharmonic Orchestra to make 50 classical recordings.

Slimma flotation will raise less than expected £2.65m

By Tim Burt

Slimma, the women's clothing and outsize garments manufacturer, said yesterday that its forthcoming flotation would raise a lower than expected total of £2.65m for the company.

When the Staffordshire-based group announced it was coming to the market last December, it expected to raise about £5m from the placing of 4.54m new shares.

Mr Stephen Thwaite, chief executive, said the discrepancy arose because venture capital investors had decided to sell £1.5m of shares at the placing price of 120p.

Existing directors intended to realise £750,000 from the flotation, he added.

The placing – involving 48.1 per cent of the ordinary share capital – values the company at £11.4m, but leaves the management and Yorkshire Bank Development Capital, Slimma's venture capital backer, with a majority stake.

Nevertheless, the company said the flotation would enable it to increase output and reduce gearing.

Mr Thwaite, who led a £3.3m management buy-out from Tootal in 1991, said funds would also be used to redeem preference shares and "continue Slimma's strategy or organic growth".

The board had decided to seek a listing – sponsored and brokered by Henry Cooke Lumsden – following a "significant increase in profits", he added.

In the 53 weeks to October 1, pre-tax profits reached £1.15m (£545,000) on turnover of £15.2m (£13.5m).

Pro-forma earnings per share were 9.5p, putting the shares on p/e of 12.6 at the placing price.

Dealings in the enlarged group are expected to start next Monday.

Brooke Tool cuts losses to £390,000

Reduced overheads and improved gross margins helped Brooke Tool Engineering (Holdings), the components, cutting tools and springs company, return to the black at the operating level.

However, interest charges of £421,000 (£811,000) pushed the pre-tax figure into losses of £390,000 (£4.06m) for the year to end-September.

Mr John Dashper, chairman, described the outcome as "encouraging against a background of only marginal improvement in activity levels".

Turnover from continuing operations was £14.6m (£15.6m).

Taiwan Trust lifts capital

By Alexander Nicoll

Taiwan Investment Trust, which is to be launched today with Mr Norman Lamont, the former chancellor, as chairman, has increased its capital from a planned £30m to £45m because of interest from institutions.

The trust, which will be the only London-listed vehicle specialising in Taiwan, is to be managed from Hong Kong by Jupiter Tyndall (Asia).

Among the directors are Mr Julian Seymour, who heads the private office of Lady Thatcher, and Mr Geoffrey Howard-Spink, director of Lowe Howard-Spink.

Investing in Taiwan's stock market is problematic for foreigners because of restrictions placed on the amount to be invested.

In addition, the central bank limits the amount of foreign currency which can flow into the island because it is concerned about appreciation of the local currency.

Though the central bank recently acted again to limit inflows following a sharp stock market rally at the end of 1993, Jupiter Tyndall had already been authorised by the Taiwan authorities to invest a total of $200m (£133m).

Of Taiwan's total market capitalisation of $183bn (£122bn) at mid-January, only about 2 per cent was held by foreigners.

NEWS DIGEST

Restructure cuts losses at Bimec

Bimec Industries, the water and waste treatment group, announced yesterday that its disposal and closure programme, initiated in November 1992, was nearing completion.

The statement accompanied news that pre-tax losses for the six months to September 30 had been cut to £1.23m, against £5.28m last time and £16.4m in the full year to end-March; comparisons were restated for FRS 3.

Turnover from continuing operations dipped to £9.3m (£10.3m), for operating losses of £796,000 (£1.26m).

Mr Roy Barber, chairman, emphasised that the group still faced "a long and difficult recovery period during which the continued support of our bankers will be essential".

Losses per share were 1.07p, down from 4.73p last time.

Wiggins

Wiggins Group, the property developer, reported reduced pre-tax losses of £84,000, against £359,000, for the six months to September 30.

The period was one of restricted activity, directors said, while negotiations for restructuring were in progress. Accordingly, the loss principally reflected costs of keeping the company operative.

The negotiations led to a capital reorganisation, acquisition of development properties and injection of new capital on October 5.

Turnover amounted to just £12,000 (£1.25m). Losses per share were cut to 0.5p (3.3p).

Birkdale

Difficult trading conditions coupled with "unacceptably" high costs left Birkdale Group £1.47m in the red at the pre-tax level for the six months to end-September.

That compared with a deficit of £494,000. Turnover of continuing activities rose to £10.4m (£8.16m) – the group runs marketing, advertising and public relations agencies.

Net operating expenses rose to £6.68m (£4.76m). There was a £62,000 profit on the sale of discontinued business and an exceptional provision of £150,000, being a loss on a property sale. Losses per share emerged at 4.7p (2.2p).

European Assets Tst

Net asset value per share of European Assets Trust, the Amsterdam-based trust which invests in medium-sized companies in continental Europe, rose from Fl 7.07 (257p) to Fl 10.07 (351p) over the year to December 31.

Net income declined to Fl 2.75m against Fl 5.48m after an exceptional Fl 1.35m French tax provision. Earnings per share fell to 11 cents (22 cents) and a proposed final dividend of 8 cents makes a total of 16 cents (20 cents).

Heritage

Heritage, the USM-quoted housewears distributor, continued its advance with an increase in pre-tax profits from £53,000 to £115,000 in the six months to October 31.

The outcome was struck on turnover up from £6.17m to £6.59m. Earnings per share improved from 0.98p to 2.14p.

Directors said, however, that trading had remained volatile and it was still not considered prudent to pay a dividend.

TR Smaller Cos

Net asset value per share of the TR Smaller Companies Investment Trust stood at 191.5p at November 30 after deducting prior charges at par. That compared with 145.4p a year earlier and with 182.6p at the May year-end.

Available revenue for the half year to end-November improved to £4.04m (£3.53m), equal to earnings of 2.26p (1.97p). The interim dividend is a same-again 1.5p.

Goodhead

For the half year to November 30, Goodhead Group, the printer and publisher, swung from losses of £3.71m to profits of £303,000 pre-tax.

The figure took in a £36,000 profit (loss £3.45m) on the disposal of discontinued activities and a loss of £43,000 (£309,000) on sales of fixed assets of continuing operations. It also included profits of £137,000 from two companies since disposed of.

Turnover on continuing activities totalled £13.4m (£12.4m). Basic earnings per share emerged at 0.4p (losses 23.2p).

Healthcare Hldgs

Healthcare Holdings has completed the sale of two hospitals to General de Sante International for £6.5m cash. Proceeds will be used to repay bank borrowings and other unsecured creditors.

Directors confirmed that the group had entered into non-binding heads of agreement with a third party with a view to a recommended offer being made for Healthcare. The shares remain suspended.

Martin Currie Euro

Directors of Martin Currie European Investment Trust are considering a placing and offer of conversion shares to increase the size of the trust.

Illingworth Morris

Illingworth Morris, part of the private textiles group controlled by Mr Alan Lewis, reported an 82 per cent jump in pre-tax profits from £437,000 to £797,000 in the six months to September 30.

Profits on continuing operations rose to £1.13m (£1.01m), while £273,000 (£68,000) related to Jermain & Son which was sold to a fellow group undertaking last August.

Turnover grew 5 per cent to £27.1m (£25.8m), of which continuing operations accounted for £24.2m (£25.2m). Earnings per share came out at 1.1p (0.3p).

Greenfriar Inv

Greenfriar Investment reported a 24 per cent advance, from 395.4p to 491.8p, in net asset value per share over the 1993 year.

Attributable profit improved to £822,000 (£767,000), equivalent to earnings of 7.13p (6.66p). A recommended final dividend of 4.5p brings the total for the year to 6.65p (6.35p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 01.02.94: Pool purchase price £/MWh	Final Prices for Trading on 04.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.42	18.25	18.25
0100	20.78	30.38	32.10
0130	25.50	30.38	32.19
0200	25.50	30.38	32.18
0230	21.04	25.71	27.54
0300	21.04	25.71	27.54
0330	21.04	25.71	27.54
0400	17.42	24.12	25.85
0430	17.36	18.13	18.13
0500	17.28	18.04	18.04
0530	17.24	18.04	18.04
0600	17.28	18.04	18.04
0630	17.28	18.17	18.17
0700	20.71	23.27	25.10
0730	20.81	23.23	25.06
0800	21.34	23.27	25.10
0830	21.28	23.40	25.24
0900	21.34	24.85	26.68
0930	21.34	25.01	26.84
1000	21.74	25.01	26.84
1030	21.74	25.01	26.85
1100	21.74	27.79	29.63
1130	23.38	27.80	29.63
1200	23.36	32.01	33.85
1230	23.38	32.01	33.85
1300	23.36	24.95	26.79
1330	21.78	24.95	26.78
1400	21.73	24.95	26.78
1430	17.44	27.64	29.47
1500	17.44	27.64	29.47
1530	17.44	27.34	29.47
1600	17.45	24.57	26.41
1630	17.48	34.88	37.15
1700	18.04	54.13	56.62
1730	32.88	54.32	56.77
1800	32.12	53.28	55.58
1830	30.64	34.16	36.05
1900	25.72	26.75	28.59
1930	25.47	25.29	27.13
2000	21.35	25.29	27.12
2030	21.28	24.53	26.36
2100	21.28	24.53	26.36
2130	21.28	24.53	26.36
2200	21.28	24.53	26.36
2230	17.48	24.53	26.36
2300	17.44	18.20	18.20
2330	17.34	18.11	18.11
2400	17.34	18.04	18.04

Confidence grows in plan for aluminium output cuts

By Kenneth Gooding, Mining Correspondent

There was growing confidence in the aluminium industry yesterday that output cuts of about 1.5m tonnes, representing 10 per cent of global production, were achievable following the unprecedented international trade deal agreed at the weekend between the world's leading aluminium-producing countries.

Two European aluminium producers, Hoogovens of the Netherlands and Norsk Hydro of Norway, yesterday indicated they were prepared to make cuts to bring the market back into balance. In the US, Southwire said it would immediately cut by 10 per cent output at its 170,000-tonnes-a-year Hawesville smelter in Kentucky.

Scepticism about the potential success of the agreement voiced by some analysts was reflected on the London Metal Exchange where the price of aluminium for delivery in three months slipped by $4.25 a tonne to $1,233.25. However, aluminium prices already had perked up et the prospect of a deal and last week reached the best levels for 6¼ months. The price has risen about 12 per cent in January to stand 21 per cent above the eight-year lows touched in 1993.

Mr Stewart Spector, who produces the Spector Report on the industry, said be believed producers would make cuts because it was the industry that had pleaded with governments to negotiate to stem the rising tide of aluminium from Russia. "They will simply be doing what they should have done before, or what the market would force them to do it they do not make more cuts," he said. Mr Spector estimated that e cut to global supply of 1.5m tonnes would bring the market back into balance within a year.

Mr Lawrence Eagles, analyst at the GNI international trade house, also pointed out in his latest metals monthly that the deal would need to hold for only one year for it to make a substantial impact "and two years to place the market in a very healthy state for the rest of the decade". However, if the deal broke down "the market will not see a price revival until the end of the century".

Various aspects of the deal, enshrined in a "memorandum of understanding," agreed by trade delegates from Australia, Canada, the European Union, Norway, Russia and the US, became clearer yesterday. Among the main points are:

- Russia will cut its output by 300,000 tonnes in the next three months and by further 200,000 tonnes in the following three months. Delegates said the two-tranches approach would enable the Russians to make sure that their initial cuts were being matched by western producers before moving on to deeper ones.
- There is no mention in the memorandum of specific targets for individual western countries because of anti-trust problems. Neither is there a global target mentioned, but the trade delegates agreed at previous meeting that cuts of 1.5m to 2m tonnes were necessary.
- Cuts dating back to November last year, after the first contacts between the trade delegates, count towards the global total. Delegates pointed out this would enable Reynolds Metals of the US and Alcan of Canada, which are in the process of implementing cuts totalling about 250,000 tonnes, to claim they have already made contributions.
- The cuts ehould last no longer than two years.
- It says unilateral trade measures would be inconsistent with the agreement. Delegates suggested that this indicates the EU will drop its restrictions on aluminium imports from the Commonwealth of Independent States, first imposed last August to "safeguard" the European industry, when they end on February 28 and that the US industry would not press claims that the Russians have been dumping the metal in their market.
- There is nothing specific offered in financial assistance from the west for the Russian industry but the western nations have indicated that they will help the Russians implement their reconstruction plan. Help from the EU will be provided from the TACES (Technical Assistance to the CIS) programme, which is spending about 500,000 Ecus a year.
- Production cuts will be monitored by the international Primary Aluminium Institute, a London-based data collecting organisation, to which the Russian smelters will now start providing information. Two Russian officials will meet the IPAI secretariat on February 16 and 17 to pave the way for their country's eventual membership.
- There is to be another meeting between the trads delegates in Canada on February 28 to assess whether ths scheme is working properly.

MARKET REPORT

Coffee and cocoa prices in late dive

COFFEE and COCOA futures prices both took a dive at the London Commodity Exchange yesterday afternoon but still were unable to arouse much interest from buyers.

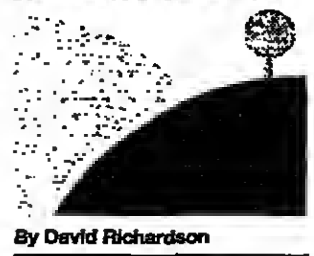
May delivery cocoa ended £11 down at £904 a tonne, while March coffee lost $7 to $1,165 a tonne.

At the London Metal Exchange ZINC prices tumbled in after-hours "kerb" trading under largely technical liquidation prompted by a move below $1,010 a tonne for three months metal. The market ended at $1,002, down $12 from Friday, but above a chart-support line near $995. News that an announcement on cutting European zinc producing capacity could be made in February cut little ice with tbs market.

Subsidised salmon puts Scots on the rocks

Efficient sea loch producers cannot compete with cut-price Norwegian supplies

FARMER'S VIEWPOINT



By David Richardson

Flying conditions were near perfect. A few high cumulus clouds skittered across a blue sky, occasionally obscuring the sun. While stags and hinds grazing on tufts of ground vegetation protruding above snow-covered high moors glanced incuriously up at the helicopter as we passed over. White mountain hares, almost invisible in their pure white environment, frolicked beneath us. Flocks of sheep dotted the lower hills as they searched for sustenance among the heather.

It would have been all too easy just to sit back and enjoy the view. But this was strictly business. I was flying to western Scotland on my way to took et the Atlantic salmon farming industry; controlled mainly by a small number of big businesses but which employs, directly or indirectly, some 6,000 people.

As the helicopter came into land beside e sea loch on the east coast of the Isle of Skye I saw a bank of eteel cages moored a hundred or so metres from the ehore. Each 16m-square cage, I was told, contained 14,000 salmon and as I watched some of the ten men who worked at the salmon farm scattered pellets of high protein feed across the water. As each scoopful hit the surface the water boiled briefly as the shiny, hungry fish took as many pellets as possible before they sank towards the bottom.

Few if any pellets are wasted, I was assured. Indeed the salmon have an incredible conversion rate, of feed into meat, which can be better than one to one – a ratio which is, of course, helped by the fact that the fish also ingest water.

There could be little doubt that this was an efficient industry conducted among some of the most spectacular scenery in Britain. But it was not happy one. For although tha 90 or so Atlantic salmon farmers in Scotland, operating between them some 250 sites, claim to have a significant lead over their competitors in terms of production efficiency and costs, they cannot, they say, compete with the dumping of salmon at prices well below the cost of anybody'e production.

The guilty party is Norway, where the 600 or eo salmon farming companies have virtually doubled their production to aboot 220,000 tonnes a year since 1989, without any regard to the level of demand. Scottish production over the same period has also increased, but by a more modest 25 per cent to ebout 50,000 tonnes. Norway'e expansion, the Scottish farmers allege, has been subsidised by the Norwegian government and by the writing off of bank debt to the tune of some £150m.

Meanwhile, and this is the real problem, excessivs supplies have caused the price of salmon on European wholesale markets virtually to halve over four years and are now causing the UK salmon farming industry to lose about £1m of revenue a week.

Needless to say the Scottish Salmon Farmers' Organisation has made representations to the European Union and the British government. These resulted last November in the introduction of a minimum import price for salmon coming into the EU. But et only £2.64 a kilogram it was, Scottish salmon farmers say, still well below the cost of production. Furthermore, by setting sucb a low minimum import price the EU dragged down the price in France, previously e lucrative market, to that level.

There have been recent debates on the crisis in both UK houses of parliament, so far without much effect. Salmon farmers are beginning to wonder if government reluctance to help has anything to do with the fact that there are few Conservative MPs in Scotland and none in the areas where salmon farms are situated.

Meanwhile the salmon industry itself has come up with a proposal to try to deal with the overproduction – a proposal which, it is claimed, has the blessing of the European Commission. If approved by all parties, it would operate through the recently-formed European Salmon Industry Forum, which would appointed consultants to advise on the appropriate number of young salmon (smolts) that should be "put to sea" – that is, into the loch cages for feeding and finishing each year.

Each producing country would form a producers' organisation whose job it would be to ensure that its members followed the ruling to expand or contract production and to police the scheme by appointing and funding inspectors. Even if an individual salmon farmer did not join he could still be eubject to the ruling through an EC-approved device entitled "extension of discipline".

Clearly it would be vital that all Atlantic-farmed salmon producing countries participated and informed opinion euggests that Norway would join the scheme. For the moment, however, the UK governmsnt seems reluctant to give the go ahead for something that would cost it nothing but could bring some stability to a high risk industry and save the jobs of thousands of people who have few other employment opportunities.

Scottish salmon farmers cannot understand the reason why.

UN's small farmer aid agency seeks new means of funding

By John Madeley in Rome

The Governing Council of the UN's International Fund for Agricultural Development ended a three-day meeting last week by deciding to look for new ways of funding Ifed's work because the present method has broken down.

Since 1977, western and oil exporting countries belonging to the Organisation of Petroleum Exporting Countries have contributed a certain percentage of Ifad funds. These are loaned to projects to help small farmers in developing countries. But the Opec countries now want to contribute less because of declining oil prices.

Western governments will tell a committee that is examining improved ways of funding Ifad, that they will contribute more if they have more voting rights. At present, the three blocs that make up the fund's membership, the West, Opec and the developing countries, each have one third of the votes. The West seems prepared to take over some of Opec's contribution, if it also takes over some of its votes.

Mr Ruud Treffers of the Netherlands told the council that Ifad's present structure gave "very few incentives for countries to increase their contributions". He said thet the Netherlands would increase its contribution if voting rights were linked more closely to contributions.

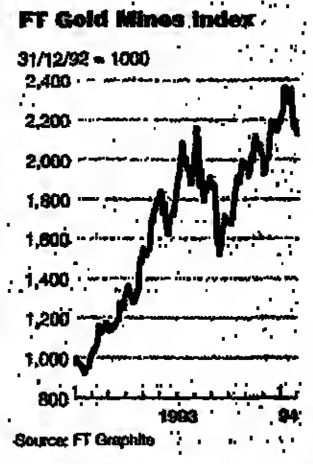
While Ifad has enongh money to support its work in 1994 and 1996, it will face a crisis if funds are not replenished next year. It has so far lent about $4bn for nearly 400 projects, mostly to help the poorest and most vulnerable farmers, and claims that these projects are helping farmers to grow an extra 42m tons of food a year.

FT gold index moves to daily publication

The Financial Times's new gold mines index is published daily on the world stock market page from today on. As previously notified, the index has been widened to inclnde companies in Australasia and North America as well as Africa – the previous index, which will be published for at least another year, was based entirely on South African stocks. The present 34 constituents of the index account for about 53 per cent of western gold output. There is no set number of constituents and the eligibility of each company will be reviewed four times a year. The Mining Journal is helping with monitoring.

For more information telephone 071 873 4613.

FT Gold Mines index



Source: FT Graphite

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1215-16	1233-33.5
Previous	1219.5-20.5	1237-38
High/low		1242/1231
AM Official	1218-18.5	1234.5-35
Kerb close		1231-33
Open int.	265,633	
Total daily turnover	37,603	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1065-69	1087-90
Previous	1064-66	1088-89
High/low		1093/1065
AM Official	1070-72	1090-94
Kerb close		1090-95
Open int.	2,996	
Total daily turnover	206	

■ LEAD ($ per tonne)

Close	506-07	518.5-19
Previous	506-07	518-19
High/low		519/512
AM Official	502-02.5	514-15
Kerb close		516-17
Open int.	33,447	
Total daily turnover	7,365	

■ NICKEL ($ per tonne)

Close	5690-95	5750-55
Previous	5710-20	5775-80
High/low		5770/5740
AM Official	5688-89	5755-63
Kerb close		5765-70
Open int.	51,277	
Total daily turnover	14,698	

■ TIN ($ per tonne)

Close	5240-45	5290-95
Previous	5202-12	5250-60
High/low		5330/5250
AM Official	5255-65	5310-15
Kerb close		5270-75
Open int.	17,774	
Total daily turnover	6,208	

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate: 1.4866

LME Closing £/$ rate: 1.5020

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	381.8	+4.9	382.0	375.5	18,573	27,351
Mar	381.0	+3.2	381.0	379.5	13	7

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	98.85	-1.05	99.65	98.00	1,457	40
May	99.85	-1.00	100.75	91.25	1,865	208

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Tea

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	904	-12	915	902	32,431	907
May	904	-11	917	903	15,753	537

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 31	Jan 28	month ago	year ago
1728.0	1722.1		1717.7

■ CRB (Base: 4/9/56=100)

Jan 28	Jan 27	month ago	year ago
225.00	225.03		199.42

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.300	-	73.575	73.050	22,722	3,080
Apr	75.450	+0.100	76.650	76.000	28,365	3,101

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Total 11,298 3,285

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1200	70	90	33	40
1225	56	76	44	51
1250	44	64	57	63
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	62	92	47	58
1900	39	67	74	83
1950	23	48	106	112
■ COFFEE LCE	Mar	May	Mar	May
1150	32	63	17	49
1200	12	42	47	78
1250	3	27	89	113
■ COCOA LCE	Mar	May	Mar	May
900	24	49	20	45
925	14	39	35	60
950	7	33	53	78
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1400	45	58	4	23
1450	16	35	10	43
1500	5	16	25	67

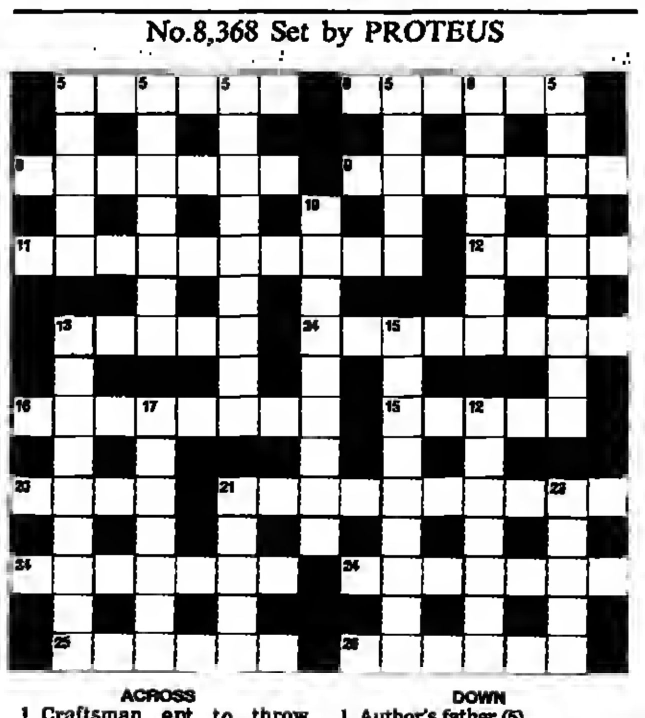
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)		+or-
Dubai	$13.19-3.24	-0.06
Brent Blend (dated)	$14.77-4.81	+0.09
Brent Blend (Mar)	$14.14-4.15	+0.015
W.T.I. (1pm est)	$15.17-5.19w	-0.12
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$148-150	-0.5
Gas Oil	$145-148	-1.0
Heavy Fuel Oil	$69-70	-1.0
Naphtha	$130-133	-1.0
Jet Fuel	$160-162	-1.5
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$378.25	-0.15
Silver (per troy oz)♣	506.0c	+2.5
Platinum (per troy oz.)	$384.85	+4.05
Palladium (per troy oz.)	$124.50	+0.75
Copper (US prod.)	91.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	13.995r	+0.04
Tin (New York)	241.50c	+1
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	121.53p	-0.63*
Sheep (live weight)†♠	107.19p	+3.79*
Pigs (live weight)	65.30p	-0.91*
Lon. day sugar (raw)	$257.60	+1.10
Lon. day sugar (wte)	$294.50	+1.20
Tate & Lyle export	$283.00	+1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£127.0v	
Wheat (US Dark North)	£143.50	
Rubber (Mar)♥	62.50p	
Rubber (Apr)♥	62.75p	
Rubber(KL RSS No1 Feb)	227.0m	+1.5
Coconut Oil (Phil)§	$572.5x	-7.5
Palm Oil (Malay.)§	$392.5t	-2.5
Copra (Phil)§	$372.0	-3
Soyabeans (US)	£204.0y	
Cotton 'A' Index	76.85c	+3.1
Wooltops (64s Super)	370p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Mar. z Jan/Mar. v Feb. t Feb/Mar. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,368 Set by PROTEUS



ACROSS

1 Craftsman ept to throw things at playwright (6)
4 Conditions in America perhaps (6)
6 Firm needed to check outgoings (7)
9 It is carried by soldier in battle (7)
11 Do they claim to have submitted offers earlier? (10)
12 Right one to oppose unrest (4)
13 He gives the academic alternative (5)
14 Set out with one friend to judge (8)
16 Crimes concerning those who handle stolen property (6)
18 Part of church shortly to hear "I will" (5)
20 Something certain to be cut (4)
21 Outlook we object to in schedule (10)
23 Joint boy-girl partnership (7)
24 Prevalent consequence as mice run wild (7)
25 He conducts trial for sixpence (6)
26 Firm about animal's attributes (6)

DOWN

1 Author's father (5)
2 Where to continue jibing? (7)
3 Odd fellow departing from the centre (9)
5 Expressions found three times on manuscript (5)
6 Three-letter inscription signifying vehicle in gear (7)
7 Sartorial adjunct more effective when old (6,3)
10 King continually is wittering on about right to succession (9)
13 Protect worker if accused (9)
15 Ornaments for game bag? (9)
17 She has power to impose measure on journalists (7)
19 Hide away in one corner of island (7)
21 Vegetable showing signs of life? (5)
22 Point in unusual suit about military bodies (5)

Solntion to Saturday's prize puzzle on Saturday February 12.
Solntion to yesterday's prize puzzle on Monday February 14.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 races ahead to all-time closing high

By Steve Thompson

A combination of sharply higher international stock markets, increased hopes of UK interest rate cuts, and news of o big corporate deal, saw London share prices race ahead to record levels yesterday. And there were strong indications from traders that this morning could see the FT-SE 100 Index penetrate the 3,500 level.

At the close of one of the busiest trading sesslons in the past few weeks, the FT-SE 100 stood 44.4 higher at a peak 3,491.8. The FT-SE Mid 250 Index underperformed the senlor FT-SE 100, however, registering an 18.5 gain at 4,084.3, as the big institutions shifted their focus to the market's more liquld heavyweight stocks.

The London market was in a confident mood from the outset of trading, as Wall Street's move to an historic high last Friday and the Tokyo market's near 8 per cent leap yesterday set the scene for a buoyant opening. European stock markets advanced strongly as dealers pinned their hopes on a German interest rate cut on Thursday when the Bundesbank councll meets.

And news that BMW, the German car manufacturer, is buying British Aerospace's Rover car company, for £800m in cash, put the seal on a strong opening to the London stock market.

Helping to fuel the early push by share prices were the MO money supply figures, which came in below market expectatlons and reinforced a growing market view that weak money supply numbers would increase the chances of an early reduction in UK interest rates. The market got very excited about possible rate cuts in the UK following the monthly monetary policy meeting between Mr Eddie George, the governor of the Bank of England, and Mr Ken Clarke, chancellor of the exchequer.

There was soma scepticism, however. Mr Ian Harnett of Strauss Turnbull described the market's enthusiasm for the rate cut story as a "dangerous argument", and highlighted the risks of a big setback.

Opening around 10 points ahead, the FT-SE 100 drove forward throughout the day, eventually settling at an all-time closing peak. The FT-SE 100's intraday record high is 3,496.1, registered on January 21.

Volume in the market was a hefty 992.8m shares and was boosted by a medium-sized trading programme executed in the morning session and some hectic business said to have been triggered by a number of options expiries. These were said to have represented expiries of various OTC instruments, large tailor-made options featuring many FT-SE 100 stocks. Significantly, the Footsie bounded ahead after the options market closed and as Wall Street moved up to post a 30-point advance on the Dow Industrial Average.

A senior marketmaker at one of the big UK securities houses noted the absence of any real selling pressure in London. Mr Richard Jeffrey, market strategist at Charterhouse Tilney, the stockbroker, described the underlying mood in London as "very confident", and said it would take "a brave investor to take a contrary view". He added that the biggest threat was likely to come from the political arena.

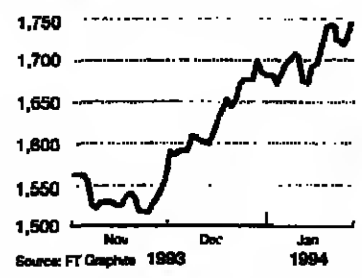
There were some big casualties in the market, with Wallcome, the drugs group, damaged by adverse comment on its Aids drug, and Christian Salvesen, the transport to food company, savaged after a profits warning. Royal Insurance delivered another good performance amid hints of renewed big buying via the inter-dealer broker system.

Account Dealing Dates

*First Dealings: Jan 17	Jan 31	Feb 14
Option Declarations: Jan 27	Feb 10	Feb 24
Last Dealings: Jan 28	Feb 11	Feb 25
Account Day: Feb 7	Feb 21	Mar 7

*New time dealings may take place from two business days earlier.

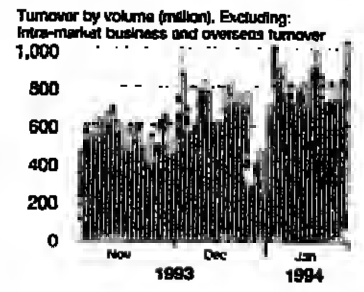
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3491.8	+44.4	FT Ordinary index	2677.2	+37.3
FT-SE Mid 250	4084.3	+18.5	FT-SE-A Non Fins p/e	22.83	(22.59)
FT-SE-A 350	1760.6	+19.0	FT-SE 100 Fut Mar	3488.0	+20.0
FT-SE-A All-Share	1745.95	+18.64	10 yr Gilt yield	6.20	(6.24)
FT-SE-A All-Share yield	3.24	(3.28)	Long gilt/equity yld ratio:	2.07	(2.05)

Best performing sectors

1 Extractive Inds ... +2.7
2 Diversified Inds ... +2.3
3 Mineral Extraction ... +2.1
4 Oil, Integrated ... +2.0
5 Tobacco ... +2.8

Worst performing sectors

1 Retailers, Food ... -0.8
2 Print, Paper & Pckg ... -0.2
3 Pharmaceuticals ... -0.2
4 Health Care ... -0.1
5 Breweries ... -0.0

Shares soar on BAe deal

Tha market spotlight inevitably fell on British Aerospace yesterday, with the surprise announcement that tha company is to sell its 80 per cent stake in Rover cars to German group BMW in a deal valued at a total of £1.7bn.

BAe shares initially jumped 30 to 474p as dealers appreciated the £800m cash boost to the accounts. The stock shot further ahead to end 55 up at 499p on heavy trading of 18m shares after the realisation that the deal included £200m of debt and the freeing off of £700m of balance sheet borrowing for BAe.

Analysts moved quickly to upgrade current year profits expectations, ahead of BAe's results scheduled for later this month.

With the range having been around £170m, James Capel was said to be now forecasting £189m, whlle Hoare Govett, BAe's broker, was reported to be predicting £180m. At the top end of the range, Smith New Court raisad its estimate by £20m to £210m, while Strauss Turnbull is predicting £250m.

Mr Clive Forrestier-Walker at Charterhouse Tilney said the sale "removes the financial worries on reorganisation and gives the company scope to tackle the problems in the turbo props and regional jets".

There was talk that Arlington, the group's property division, may also be put up for sale. Other speculation included tha resumption of interest from GEC in BAe. GEC added 3½ at 340p.

BTR surges

Turnover in international conglomerate BTR rose to 18m, making it the second most active trade of the day, on a combination of switching between the ordinary shares and the warrants, and a broker's recommendation.

The shares climbed 19 to 390p, with Salomon Brothers said to have carried out much of the switching during the session. Sentiment was further boosted by a recommendation from Smith New Court. Analysts at Smith said: "The stock has underperformed, it has become cheaply rated, the company is well run, it is a diverse international, and looks like a good opportunity to us."

The recommendation from Smith followed a similar move from UBS at the end of last week. Suggestions in the market that broker Colin Stewart, a well known bear of the stock, had turned more positive were denied.

The fall-out from J. Sainsbury's trading statement at the end of last week settled on the supermarket sector's suppliers and saw both Unigate and the paper and packaging group Bowater suffer.

There is a belief that suppliers, particularly those who provide 'own-label' products, will come under pressure from the supermarket chain following its statement that margins wera being squeezed by the actions of cut-price retailers.

Bowater was further affected by a sell note from agency broker James Capel. The shares fell 15 to 487p, while Unigate slipped 6½ to 386p. Sainsbury lost a further 9 to 384p.

Wellcome shares tumbled 13 to 662p as the company confirmed Sunday newspaper reports that sales of its Aids drug Retrovir had fallen by about 25 per cent following reaction to a study into the effectiveness of the drug on some HIV patients.

Christian Salvesen, the business and food services group, dropped 62 to 314p, making it the day's biggest retreat, after the company issued a profits warning saying this year's profits would ba below last year's £74.8m.

Conglomerate Trafalgar House gained 5 at 109p in strong volume of 11m shares after announcing a 91.5 per cent take-up of its £355m convertible preference rights issue. The group said the rump of the issue is to be auctioned at a minimum tender price of 100p a share.

The strong market trend helped English China Clays recover from an earlier retreat that followed cautious comments from Hoare Govett. The shares closed 3 ahead at 505p.

Airports operator BAA was in demand ahead of third-quarter figures today and the shares put on 31 at 1081p on volume of 1m.

Oil major BP benefited from encouraging research from two securities houses. Following publication of a review of the sector last week, Lehman Brothers upgraded its recommendation to "outperform" from "underperform". The house argues that investors are taking a more long term view on stock valuation and, reaching out to 1998, BP offers stronger dividend growth than its UK rival Shell Transport.

Meanwhile, NatWest Securities published a hefty overview which concluded that BP will produce average annual earnings growth of 24 per cent over the next five years. BP shares rose 11½ to 378½p, while Shell gained 9 at 734p.

BT made good progress as Hoare Govett turned a trading buyer of the stock. The fully-paid shares put on 7 at 474½p in turnover of 4.5m, with dealers attributing some of the rise to weekend media reports of the company's cable video plans.

Eleswhere, Vodafone firmed 3½ to 585½p ahead of new subscriber figures due today.

Stores stocks were a big beneficiary of the new account, with rises being seen across a wida spectrum.

Among the majors, Marks and Spencer climbed 7½ to 444p, Kingfisher 11 to 639p, Boots 9½ to 552½p and GUS 16 to 604p. Dixons slipped 2 to 215p as a weekend press report highlighted continued worries over extended warranties. Regional retailer Upton and Southern edged up to 4½p on talk of an imminent deal.

Positive comments accompanying fourth-quarter figures from Xerox Corporation in the US helped Rank Organisation shares rise 24 to a record 1098p. The two companies' joint venture, Rank Xerox, contributes around half of the UK group's pre-tax profits.

The buying pressure seen on Friday in Forte, following meetings in the City, continued and the shares added 4 at 269½p. Analysts said that Forta was confident of a successful outcome to its bid for the Ciga hotel group in Italy within the next two weeks.

The day's biggest volume was recorded in British Steel, which traded 30m as overseas buying continued in the stock. The shares improved 4 to 144p.

Engineering group Vickers eased 6 to 178p after suggestions that BMW may buy its Rolls-Royce Motor Car subsidiary appeared to be dashed by BMW's decision to buy Rover.

The Rover deal cheered the motor distributors and Lex Service jumped 20 to 549p, while Lookers moved 19 ahead to 259p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (490).

GILTS (1) BANKS (8) ANZ, Bank of Scot. 9 1/4pc Pf., Do 9 3/4pc Pf, Natl. Australia, Royal Bk. of Scot., Westpac, BREWERIES (3) Regent Inns, Vaux, Wetherspoon (JD), BUILDING & CNSTRN (12) BLDG MATLS & MCHTS (10) CHEMICALS (5) Akzo, Canning (W), Hoechst, Perstorp B, Wolstenholme Rink, DISTRIBUTORS (17) DIVERSIFIED INDLS (12) ELECTRICITY (8) East Midlands, London, Manweb, Norweb, Seeboard, Yorkshire, ELECTRNC & ELECT EQUP (13) Alba, Chloride, Cray, Druck, Electrolux, Fujitsu, Nolda Corp Pf., Philips, Pelon, Scholes, Sony, Telspec, Tunstall, ENGINEERING (30) ENG. VEHICLES (6) Avon Rubber, Bostrom, Mid-States, Motor World, Trinity, Volvo B, EXTRACTIVE INDS (15) FOOD MANUF (3) Banks (SC), Daniels (S), Nestle (Reg), HEALTH CARE (6) Assoc. Nursing Servs, Community Hsptls., Court Cavendish, M.L. Labrs., UniChem, HOUSEHOLD GOODS (7) Gaskell, Oriflame, Paterson Zochnis, Do N/V, Royal Doulton, Tomkinsons, Walker Greenbank, INSURANCE (7) Bradstock, Domestic & Gen., Fenchurch, GRE, Lowndes Lambert, Nelson Hurst, Skandia, INVESTMENT TRUSTS (165) INVESTMENT COMPANIES (12) LEISURE & HOTELS (12) Baldwin, Castle Comms., Ex-Lands, Fairline Boats, Granada, Kunick, Do 6 1/4p Pf., Manchester Utd., Pelican, PizzaExpress, Rank Orgn., Ryan, MEDIA (28) MERCHANT BANKS (3) Barings 9 3/4pc Pf, Schroders, Wintrust, OIL EXPLORATION & PROD (4) Brit. Borneo, Bula Res., Edinburgh Oil, Scott Pickford, OTHER FINANCIAL (21) OTHER SERVS & BUSNS (5) Calderburn, Filofax, UDO, PRTNG, PAPER & PACKG (8) Boxmore, Cropper (J), Fairway, Ferguson, Portals, Regent A, Smurfit (J), Somic, PROPERTY (29) RETAILERS, FOOD (1) Watson & Philip, RETAILERS, GENERAL (6) Beattie (J) A, Brown (N), Mallett, Partridge Fine Arts, Signet 8 7/8p Pf, SUPPORT SERVS (10) TELECOMMUNICATIONS (3) TEXTILES & APPAREL (7) TRANSPORT (5) WATER (4) Bristol Water, Cheam A, Do B, East Surrey, AMERICANS (4)

NEW LOWS (8).

GILTS (4) DISTRIBUTORS (1) Intl Food Machinery, PHARMACEUTICALS (1) Celltech, SUPPORT SERVS (1) Salvesen (C), TEXTILES & APPAREL (1) Cupid,

EQUITY FUTURES AND OPTIONS TRADING

Strong international markets, combined with renewed hopes of a cut in interest rates in the UK, boosted derivatives and pushed the March Footsia future abova 3,500, *writes Joel Kibazo*.

On the first day of the new equity account the March contract on tha FT-SE 100 opaned at 3,477. But for a brief retreat which saw the contract dip to 3,475 in the first half-hour of trading, there was strong upward momentum for most of the session, with tha big US houses making the running.

Traders reflected on tha overnight strength of the Tokyo market and the US market later in the day, but renewed talk on interest rates was also heard, bringing a large premium to March for most of tha day.

The advance in tha market gave dealers the opportunity to arbitraga positions between the cash and the futures market. Further strength in the afternoon ensured that March broke through the 3,500 mark to finish at 3,502 in after-hours' dealing, around 18 points above its estimated fair value, which has fallen to zero this account. However, volume, at 8,994 lots, was below averaga.

Traded options were activa but the final volume of 47,110 was down from Friday's end of tha account figure of 54,074 lots. Among the index options, the FT-SE 100 option traded 11,984 contracts, while the Euro FT-SE 100 option attracted business of 4,854 lots.

HSBC was the most active stock option with a total of 3,200 trades. This was followed by Hillsdown at 3,000 contracts. J. Sainsbury, BTR, and British Aerospace were also actively traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3478.0	3488.0	+20.0	3503.8	3475.0	11657	64896
Jun	3505.0	3502.5	+18.5	3505.8	3505.8	250	8839
Sep		3521.0	+21.0			0	350

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3484) £10 per full index point

	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P
Feb	195½	5	148½	8½	105½	18	69	29	41	52	21½	86½	9½	128½	4½	175½
Mar	208½	18½	164½	27½	128	41	96	58	68	80½	47	110½	30½	145½	16	184½
Apr	218½	31	182	43½	145	58½	118½	76½	88½	98	65½	127	47½	158	33	195½
May	238	45½	201½	58½	186½	73½	137	93	109	114½	88	144	86½	174	52½	210
Jun†	254	56			184	85			124½	125½			81½	182		

Calls 5,057 Puts 6,075

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3470 C	3470 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P
Feb	218½	4	172½	8½	127½	13½	87½	22	53½	39½	30½	65	15	100	8½	142
Mar	228½	14½	184	22	146½	32½	110½	47½	80½	57	56½	82½	37	123	21½	159
Apr			199	35½			130	65			78½	110½			48½	173½
Jun			233	58½			168½	92			116	136½			74½	194
Sep†			274	84½			212	119			158	161½			115½	215½

Calls 3,760 Puts 1,092 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Jan 31	Day's chge%	Jan 28	Jan 27	Jan 26	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3491.8	+1.3	3447.4	3427.3	3436.1	2851.8	3.37	5.03	24.68	2.59	1280.00
FT-SE Mid 250	4084.3	+0.5	4065.8	4076.4	4079.7	2988.6	2.98	4.67	26.33	6.67	1484.59
FT-SE Mid 250 ex Inv Trusts	4087.8	+0.3	4075.4	4086.8	4093.4	3004.7	3.08	5.01	24.79	6.68	1480.98
FT-SE-A 350	1760.6	+1.1	1741.6	1734.8	1738.6	1403.1	3.28	4.95	25.04	1.67	1322.24
FT-SE SmallCap●	2050.48	+0.9	2032.59	2028.19	2023.86	1494.18	2.68	3.35	38.24	2.70	1557.21
FT-SE SmallCap ex Inv Trusts●	2012.58	+0.7	1997.78	1994.07	1990.18	1504.37	2.82	3.71	35.36	2.91	1531.25
FT-SE-A ALL-SHARE●	1745.95	+1.1	1727.31	1720.79	1723.98	1394.44	3.24	4.84	25.64	1.88	1334.47

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks yesterday

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	18	19
Other Fixed Interest	9	2	4
Mineral Extraction	93	42	72
General Manufactures	297	65	321
Consumer Goods	69	32	94
Services	219	62	251
Utilities	39	3	4
Financials	187	55	149
Investment Trusts	303	16	144
Others	40	47	24
Totals	1,305	328	1,082

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Jan. 24	Last Declarations	April 21
Last Dealings	Feb. 4	For settlement	May 3

Calls: Aegis, Arcon Int, Br Aerospace, BM, Caverdale, Dinkie Heel, Europe Engy, Fleming Chinese, Fortune Oil, GWR, Greenwich Res, Hartstone, Hanson Wts, Hobson, Kunick, Millgate, Nat Hme Lns, Nat Hme Lns Pf, Premier Land, Renison, Taylor Woodrow, Transworld, Waterglade, Westland, Witton. Puts: Arcon Int, Bimec, Ricardo, Serif, Westland. Puts & Calls: Hartstone.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	81.4	73¾	66¾	Baring Emrg Euro	73¾	+1½	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
48	Nil	17/2	20pm	8pm	Anglo Irish	19pm	
73	Nil	31/1	15pm	11pm	Cementone	15pm	
88	Nil	9/2	19pm	9pm	Crest Nicholson	12pm	+2
96	Nil	24/2	7pm	¾pm	Halkin	¾pm	
25	Nil	9/2	1¾pm	¾pm	¶Ramus	1¾pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Jan 31	Jan 28	Jan 27	Jan 26	Jan 25	Yr ago	*High	*Low
Ordinary Share	2677.2	2639.8	2627.3	2641.2	2646.2	2207.5	2677.2	2124.7
Ord. div. yield	3.47	3.52	3.54	3.52	3.52	4.29	4.52	3.47
Earn. yld. % full	3.93	3.98	4.00	3.99	3.98	5.64	6.38	3.93
P/E ratio net	32.13	31.70	31.53	31.67	31.70	21.83	32.13	19.40
P/E ratio nil	29.79	29.39	29.23	29.36	29.38	20.13	29.79	18.14

*For 1993/94. Ordinary Share index since compilation: high 2677.2 31/01/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2647.7	2657.4	2659.5	2662.2	2665.2	2669.8	2669.2	2667.9	2670.7	2677.2	2647.7

	Jan 31	Jan 28	Jan 27	Jan 26	Jan 25	Yr ago
SEAQ bargains	45,756	45,304	36,905	35,725	38,411	39,006
Equity turnover (£m)†	-	2200.2	2019.2	1864.3	2004.8	1266.5
Equity bargains†	-	50,867	43,137	40,851	43,294	39,134
Shares traded (ml)†	-	1015.4	947.1	741.5	857.8	381.2

† Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

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LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 High	low	Mkt Cap £m	Yld Gr's	P/E
ABN Amro Fl		£24⅝	+⅝	£25¼	£18¼	6,907	4.2	13.2
ANZ A$		265¼	+6½	265¼	130	3,478	3.4	ϕ
Abbey National	†□	604	+6	624	345	6,607	2.9	10.4
Allied Irish IE		299	+4	314	179	1,970	3.3	15.3
Anglo Irish IE		66		70	20	165.5	6.2	ϕ
Asahi Y		723¼	+28¼	844	415	16,785	6.6	-
Banco Bil Viz Pta		£18	+¼	£17⅞	£13½	3,698	0.1	7.2
Banco Sant Pta		£32¼		£36	£24¾	3,688	4.1	12.2
Bank Leumi (UK)		375		376	325	30.5	5.7	-
Bk Ireland IE		308	+2	319	171	1,451	4.8	22.7
Bank Scotland	†□	237	-4	247	116½	2,768	2.5	32.2
6¼pc Pf		141¼	+½	141¼	117¾	141.2	8.2	-
9¼pc Pf		148¼	+½	148¼	123½	148.2	8.2	-
Barclays		627½	+½	662	382	10,184	2.9	-
Dai Ichi Kan Y		£12⅝		£15⅞	£8¾	36,879	6.4	66.4
Deutsche DM		£322⅛	+7⅝	£340⅝	£250½	15,374	1.6	-
Espirito Santo		£24⅛	-⅛	£25¼	£16½	264.0	2.2	5.9
First Nat Fin	□	88xd	-2	95	48	148.7	2.1	ϕ
8.3pc Cv Pf		88xd		91	55	5.92	6.6	-
7pc Cv Pf		167xd	+½	169	106	79.2	5.2	-
Fuji Bank Y		1380¼	+91¼	1651	876	38,963	6.4	-
HSBC HK	†□	1003	+27	1007	474	17,721	2.5	24.6
HSBC (75p Shs)	†□	991	+31	993	490	8,138	2.5	23.7
Lloyds	†□	642	+2	680	482	8,243	2.7	10.4
Mitsubishi Y		618½	+17	£19¼	£11¼	52,686	0.3	-
Mits Tst & Bk Y		885¼	+74	1012½	482½	11,928	6.6	14.2
Mitsui Tst & Bk Y		748¼	+90	882	374	8,965	0.7	25.5
Nat Aust A$		606	+9	606	322	7,987	3.7	ϕ
NatWest	†□	504	+1	534	398	9,672	5.7	36.1
Ottomane FFr		£22½	-¼	£23	£23¼	162.5	4.8	9.5
Ryl Bk Scotland		485½xd	+11½	485½	207	3,934	2.8	22.4
Sakura Y		£9⅛	+⅛	£11	£5⅝	31,002	0.5	58.5
Sanwa Y		£13⅝	+⅞	£16	£7¼	40,258	0.4	-
Standard Chartd	†□	1367	+30	1370	578	3,280	1.9	-

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
Parkas French	148	–	140	98	1.0	145.7	-.8
Perpetual Japan	118	+7	110	83	–	100.4	-15.4
Warrants	47	+9	88	37	–	–	–
Personal Assets †	£90½	+1¼	£90¼	£76½	–	–	–
Pilot Inv	148	+2	148	98	2.6	9543.9	5.2
Warrants	84	+4	67	21	0.4	137.3	-7.2
C	114	+1	114	100	–	–	–
Primadona	279	+2	283	137	–	102.1	-16.4
RIT Capital	182	+3	189	100	2.0	326.4	14.5
2½pc Cv Ln 2000	£181	+½	£186½	£100½	8.9	215.7	18.5
Radiotrust	62	+7	88	47	1.4	–	–
Rights & Iss Inc †	163	–	163	114	–	68.6	-20.9
Cap	533	+16	533	303	8.5	–	–
Riv & Merc Am Inc	115xd	–	118	108	1.9	554.5	3.9
Cap	34	+1	36	27	8.5	–	–
Warrants	14½	+½	14½	11	–	48.4	29.8
Riv & Mer Ext	144xd	+2	147	67	–	–	–
Warrants	45	+2	40	13	0.5	142.3	-1.3
Zero Div Pf	111½	–	117½	103	–	–	–
Riv & Mer Geared	110	–	118	81	–	–	–
Prfd Cap 1999	34	–	35	16	8.2	–	–
Riv & Merc Smlr	167	+6	167	98	–	41.2	11.3
Warrants	74	+11	74	22	3.8	154.3	-7.6
Riv & Merc Tst Inc	124	–	127	108	–	–	–
Cap	145	+3	145	55	9.2	–	–
Warrants	36	+1	38	0	–	262.0	44.8
Do Stepd Prf	182½	–	183	147	–	–	–
River Plate Inc	189xd	–	119	98	4.3	–	–
Cap	111	–	111	28	10.2	–	–
Warrants	10	–	10½	1	–	209.2	46.9
Zero Div Pf	85¼	+¼	85¼	77¼	–	–	–
St Andrew	338	+5	330	214	–	–	–
St David's Inc	148	–	153	123	3.8	347.4	5.0
Cap	220	+2	220	78	13.2	–	–
Zero Prf	151½	–	151½	131	–	365.1	30.1

LEISURE & HOTELS - Cont.

Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Northern	45	–	48	7½	13.8	–	0.7
Owners Abrd †	101	–	148	59	164.7	4.0	8.1
9¼p Cv Pf	180	–	248	120	50.7	6.8	–
Parkdean Leis	147	–	147	127	14.7	3.7	16.9
Pelican	89	+2	90	23	38.5	1.5	20.8
PizzaExpress	132	+3	134	47	89.9	0.5	27.3
Prism Leis	181xd	-¼	183	55	15.8	2.4	16.8
Quadrant	38	-1	42	16	8.42	–	–
Queens Moat	47½	–	98	44	439.0	3.7	–
7pc Cv Pf	1040	–	129	101	27.1	8.4	–
7½pc Cv Pf	858	–	99	55	160.5	11.8	–
Ramsden's	208	–	310	132	12.4	2.7	37.3
Rank Org	1098	+24	1098	636	3,580	3.5	23.7
6¼p Cv Pf	183½xd	+2	184	113½	372.8	0.5	–
Regal Hotel	2	+¼	2¼	0½	13.9	–	–
Resort Hotels	459	–	55	28	48.8	8.6	8.8
Ryan Hotels	78	+½	30	11½	19.8	4.3	–
Savoy A	880	–	1025	700	283.1	8.9	–
Spear (JW) †	550	–	889	300	28.9	1.0	10.9
Stakis	86	–	86	34½	328.8	1.5	♦
Stanley Leis	331xd	-¼	338	188	151.3	2.0	28.1
Sunleigh	8½	–	16	5½	5.98	–	–
Surrey	2¼	–	3	1½	2.92	–	–
Tanjong	345¼	–	420	345¼	647.2	0.3	18.7
Thorn EMI	1104xd	+13	1107	809	4,892	3.9	25.6
Ticketing Grp	2¼	–	2¼	1	10.9	–	–
Tomorrows Leis	18	–	32	13½	1.84	–	–
Tottenham	89xd	-4	177	84	14.3	2.8	4.7
Vardon	120	-1	137	62	89.9	0.8	29.0
Wembley	16½	–	22	11	42.5	–	–
Zetters	111xd	–	120	93	7.28	0.5	12.6

LIFE ASSURANCE

SOUTH AFRICANS

Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£13½	–	£13½	£7½	805.4	5.2	11.4
Barlow Rand	£4⅞	–	£5⅜	£4	846.8	7.6	7.9
Gold Fields SA R	£14⅞xd	+¼	£18	£7⅛	1,393	2.9	24.3
NK Props	89	–	47	68	3.62	15.1	♦
SASOL	288	-1	306	215	1,631	5.4	–
SA Brews	£12⅜	+⅛	£15⅞	£7⅜	6,884	2.1	21.4
Tiger Oats	700	–	838	513	1,051	2.1	14.8
Tongaat-Hulett †	502xd	–	502	212	375.7	3.0	14.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. o Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings'. P Figures based on prospectus or other official estimates for 1994. Q Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £725 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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INSURANCES

OTHER UK UNIT TRUSTS

هكذا من الأصل

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Royal Life Insurance Ltd

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains Tax on sales. ‡ Distribution free of UK taxes. p Periodic premium insurance plans. 4 Single premium insurance. u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. # Suspended. 4 Yield before Jersey tax. † Ex-subdivision. 4 Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

MARKETS REPORT

Yen rises against dollar

The yen yesterday gained ground on the back of a large jump in Japanese equity markets following the passage over the weekend of a compromise package of political reforms, *writes Philip Gawith.*

With the political impasse of recent weeks now removed, the Japanese government is expected by the end of the week to announce a large fiscal stimulus of Y11-15trillion. Anticipation of the benefits of this package caused the Nikkei average to rise by nearly 8 per cent with the benefits spilling over into a stronger yen.

The state of US-Japanese trade talks overshadowed the appearance of Mr Alan Greenspan, chairman of the US Federal Reserve, before the Joint Economic Committee of Congress yesterday.

● The yen closed at Y109.005 to the dollar in London yesterday, a rise of about half a yen on the day. Although the dominant view in the market is that the large fiscal package will be good for the Japanese economy, many observers believe the implications for the currency are less obvious.

Mr Jeremy Hawkins, senior economic adviser at the Bank of America, said the fiscal package could be a "double-edged sword". On the one hand, it will be good for the Nikkei, and hence for the yen. On the other, it should diminish any inclination on the part of the US to talk up the yen as a means of trying to curb the trade gap between the two countries.

Analysts said there was quite a lot of positive market sentiment towards the yen. This creates the ironic situation that only now, when the US administration has less reason to talk up the yen, has the market decided to move the Japanese currency higher.

Mr Julian Callow, international economist at Kleinwort Benson, said two other seasonal factors lent strength to the yen: the large current account surpluses which normally occur in February and March; and the substantial capital repatriation which, for the past four years, has tended to take place at this time.

He predicts that when these factors disappear in April/May the yen will weaken and this will be a truer measure of the currency's position.

With the political reforms now passed, the focus has turned to the fiscal package and trade talks. "The reason why Mr Hosokawa was so desperate to get the package through was the trade talks" said Mr Hawkins. "There would have been a lot of flak if he had gone to the talks without an economic package to show."

Mr Ron Brown, US commerce secretary said the reform package would have a "very positive" impact on US trade with Japan.

The importance the US attaches to the trade issue was illustrated when President Clinton yesterday dispatched US trade representative Mr Mickey Kantor to Japan in an effort to hasten progress in the framework trade talks.

● Mr Greenspan's testimony yesterday had a mixed effect on the dollar. His observations that he considered real interest rates to be abnormally low, implying a likely tightening of policy, caused the currency to rise initially.

When it became clear, however, that no early rate increase was imminent, the dollar lost ground. Mr Ian Gunner, international economist at Chase Manhattan, said the message of Mr Greenspan's appearance was that, although the Fed "has its finger on the trigger" to raise rates, inflation is the key indicator being watched and recent data shows it is currently well contained.

Mr Gunner said sentiment towards the dollar was "pretty sour now". Another observer noted "If I was a dollar bull I would be worried now." Mr Gunner said from a technical perspective the dollar had reached a point where investors were saying that, if it was unable to move higher on good news, then it had to move lower. Accordingly, the currency was being sold.

After rising above DM1.7440 during the afternoon, the dollar slipped back to DM1.7360 yesterday evening. Mr Gunner said the dollar had "hit a brick wall" and needed something beyond the string of recent strong data to take it higher.

● Sterling had a quiet day, underpinned by expectations of a possible German rate-cut later this week. There was little reaction to the release of M0 money supply figures which rose a lower than expected 5.3 per cent in the year to January. It closed in London at DM2.6145, nearly two pfennigs up on Friday's close of DM2.5971.

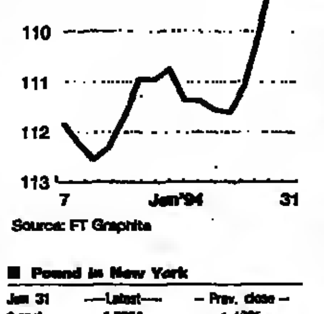
Analysts said that the pound was trading surprisingly well considering the political pressure the government was under. One observer commented: "It is almost as if the market is trying to say the quicker we get rid of John Major, the better." A different gloss on the political angle is that international investors are unconcerned by the current squabbles.

● The Belgian franc breached its central ERM rate of 20.6255 francs per mark in a positive reaction to rate cuts announced earlier. Mr Hawkins said the currency's response to the rate cut confirmed the view that "at the moment, investers see interest rate cuts within the EMS as being bullish for growth and for the currency."

● The Bank of England provided the UK money markets with £295m of late liquidity at unspecified rates yesterday. This took total assistance for the day to £669m, compared with its final estimate of a £800m liquidity shortage.

Yen

Against the dollar (Yen per $)



Source: FT Graphite

■ Pound in New York

Jan 31	—Latest—	— Prev. close —
£ spot	1.5020	1.4965
1 mth	1.4993	1.4938
3 mth	1.4941	1.4883
1 yr	1.4607	1.4749

POUND SPOT FORWARD AGAINST THE POUND

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.3812	+0.1267	719 - 904	18.3904	18.1360	18.385	-0.2	18.3944	-0.3	-	-	113.0
Belgium	(BFr)	53.7800	+0.0815	251 - 948	53.8559	53.5330	53.818	-1.2	53.925	-1.2	54.275	-1.0	113.8
Denmark	(DKr)	10.1460	+0.0494	434 - 525	10.1534	10.1125	10.1565	-1.2	10.1695	-0.8	10.1707	-0.2	114.2
Finland	(FM)	8.3162	-0.0284	062 - 262	8.3867	8.3045	-	-	-	-	-	-	82.3
France	(FFr)	8.8729	+0.0332	683 - 774	8.8952	8.8378	8.88	-1.0	8.8921	-0.9	8.9073	-0.4	107.5
Germany	(DM)	2.6145	+0.0174	132 - 158	2.6198	2.6041	2.6169	-0.6	2.6174	-0.5	2.6162	-0.1	121.5
Greece	(Dr)	375.462	+2.116	199 - 725	375.725	374.172	-	-	-	-	-	-	-
Ireland	(I£)	1.0419	-0.0001	411 - 428	1.0477	1.0411	1.0425	-0.7	1.0435	-0.6	1.0467	-0.5	104.2
Italy	(L)	2546.08	+2.72	443 - 769	2549.80	2538.54	2552.26	-2.9	2565.21	-3.0	2612.66	-2.6	76.1
Luxembourg	(LFr)	53.7800	+0.0815	251 - 949	53.8559	53.5330	53.815	-1.2	53.925	-1.2	54.275	-1.0	113.8
Netherlands	(Fl)	2.9288	+0.0184	271 - 304	2.9304	2.9068	2.9287	0.0	2.9296	-0.1	2.9184	0.4	117.4
Norway	(NKr)	11.2284	+0.0378	235 - 332	11.2394	11.1647	11.2241	0.5	11.2189	0.3	11.2257	0.0	84.4
Portugal	(Es)	262.599	+0.521	370 - 827	263.435	260.887	263.874	-5.8	266.024	-5.2	-	-	-
Spain	(Pta)	211.001	+0.459	900 - 101	211.226	210.408	211.591	-3.4	212.751	-3.3	216.821	-2.8	85.4
Sweden	(SKr)	11.8775	-0.0316	684 - 885	11.9784	11.8684	11.901	-2.4	11.932	-1.9	12.0495	-1.4	77.5
Switzerland	(SFr)	2.1981	+0.0051	967 - 995	2.1999	2.1826	2.1963	1.0	2.1811	1.3	2.1675	1.4	117.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.5
Ecu	-	1.3448	+0.0058	439 - 458	1.3456	1.3398	1.346	-1.1	1.348	-1.0	1.3517	-0.5	-
SDR	-	0.921707	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4987	-0.0048	981 - 992	1.5009	1.4981	-	-	-	-	-	-	-
Brazil	(Cr)	687.455	+10.715	241 - 669	689.000	672.000	-	-	-	-	-	-	-
Canada	(C$)	1.9880	-0.0033	869 - 890	1.9912	1.9766	1.9852	1.7	1.9797	1.7	1.9637	1.2	91.4
Mexico	(New Peso)	4.6539	-0.0156	510 - 568	4.6607	4.6394	-	-	-	-	-	-	-
USA	($)	1.4989	-0.0047	984 - 993	1.5015	1.4937	1.4982	2.2	1.4908	2.1	1.477	1.5	67.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1133	-0.0118	119 - 147	2.1172	2.0990	2.1118	0.9	2.1095	0.7	2.1075	0.3	-
Hong Kong	(HK$)	11.6784	-0.0382	721 - 806	11.6953	11.5396	11.6547	2.2	11.5203	1.9	11.4202	1.3	-
India	(Rs)	47.0133	-0.1565	936 - 330	47.0910	46.8850	-	-	-	-	-	-	-
Japan	(Y)	163.383	-0.63	266 - 499	164.960	163.160	162.983	2.9	162.093	3.2	158.643	2.9	180.6
Malaysia	(M$)	4.1440	-0.0082	418 - 463	4.1508	4.1246	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6391	-0.0093	366 - 415	2.6418	2.6259	2.642	-1.3	2.6463	-1.1	2.6549	-0.6	-
Philippines	(Peso)	41.5183	-0.1315	060 - 305	41.8305	41.2060	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6212	-0.0173	190 - 234	5.6306	5.6018	-	-	-	-	-	-	-
Singapore	(S$)	2.3880	-0.0065	865 - 894	2.3914	2.3828	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1295	-0.0019	268 - 321	5.1374	5.0895	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6287	-0.0435	192 - 382	6.6681	6.6027	-	-	-	-	-	-	-
South Korea	(Won)	1211.15	-3.99	071 - 158	1213.21	1207.36	-	-	-	-	-	-	-
Taiwan	(T$)	39.5996	-0.1707	877 - 115	39.670	39.5000	-	-	-	-	-	-	-
Thailand	(Bt)	38.1456	-0.1055	193 - 722	38.1980	38.0150	-	-	-	-	-	-	-

†SDR rate for Jan 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.2635	+0.123	610 - 660	12.2670	12.2218	12.2885	-2.4	12.3265	-2.1	12.4335	-1.4	102.7
Belgium	(BFr)	35.8875	+0.1675	550 - 800	35.9600	35.8000	35.9878	-3.3	36.1725	-3.4	36.7475	-2.5	103.2
Denmark	(DKr)	6.7705	+0.0542	695 - 715	6.7814	6.7512	6.7892	-3.3	6.8202	-2.9	6.8908	-1.8	103.5
Finland	(FM)	5.5484	-0.0013	434 - 534	5.6084	5.5372	5.5574	-1.9	5.5699	-1.5	5.6159	-1.2	78.7
France	(FFr)	5.9198	+0.0408	185 - 210	5.9290	5.8970	5.9352	-3.1	5.9646	-3.0	6.0308	-1.9	104.1
Germany	(D)	1.7444	+0.0171	440 - 447	1.7486	1.7385	1.7486	-2.8	1.7558	-2.6	1.7714	-1.5	103.8
Greece	(Dr)	250.500	+2.2	400 - 600	250.800	248.990	254	-16.8	261	-16.8	292	-16.6	71.6
Ireland	(I£)	1.4366	-0.0045	360 - 392	1.4413	1.4278	1.4352	2.8	1.4287	2.8	1.4108	1.9	-
Italy	(L)	1698.68	+7.18	810 - 925	1704.00	1695.66	1705.68	-8.1	1720.68	-5.2	1768.93	-4.1	76.8
Luxembourg	(LFr)	35.8875	+0.1675	550 - 800	35.9600	35.8000	35.9875	-3.3	36.1725	-3.4	36.7475	-2.5	103.2
Netherlands	(Fl)	1.9540	+0.0184	535 - 546	1.9558	1.9402	1.9575	-2.2	1.9638	-2.0	1.9759	-1.1	103.2
Norway	(NKr)	7.4913	+0.0468	903 - 923	7.5146	7.4574	7.5028	-1.8	7.526	-1.9	7.5863	-1.3	94.7
Portugal	(Es)	175.200	+0.9	100 - 300	175.670	174.250	176.22	-7.0	178.29	-7.1	185.875	-6.1	94.1
Spain	(Pta)	140.775	+0.75	750 - 800	141.000	140.350	141.425	-5.5	142.71	-5.5	146.8	-4.3	80.9
Sweden	(SKr)	7.9244	+0.004	194 - 294	8.0098	7.9088	7.9524	-4.2	8.0044	-4.0	8.1614	-3.0	82.7
Switzerland	(SFr)	1.4665	+0.006	660 - 670	1.4712	1.4620	1.4678	-1.1	1.4697	-0.9	1.4675	-0.1	104.2
UK	(£)	1.4969	-0.0047	964 - 993	1.5015	1.4937	1.4962	2.2	1.4908	2.1	1.477	1.5	91.3
Ecu	-	1.1146	-0.0064	142 - 150	1.1188	1.1133	1.1116	3.3	1.106	3.1	1.0928	2.0	-
SDR	-	1.38210	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(Cr)	458.655	+8.575	650 - 660	458.675	446.670	-	-	-	-	-	-	-
Canada	(C$)	1.3263	+0.0019	260 - 266	1.3268	1.3221	1.3269	-0.5	1.3279	-0.5	1.3295	-0.2	67.8
Mexico	(New Peso)	3.1050	-0.0005	040 - 060	3.1060	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.9
Pacific/Middle East/Africa													
Australia	(A$)	1.4099	-0.0034	094 - 104	1.4115	1.4041	1.4109	-0.9	1.4138	-1.1	1.4213	-0.8	89.4
Hong Kong	(HK$)	7.7235	-0.001	230 - 240	7.7240	7.7230	7.725	-0.2	7.7276	-0.2	7.7385	-0.2	-
India	(Rs)	31.3663	-0.005	625 - 700	31.3700	31.3625	31.4313	-2.5	31.5663	-2.6	-	-	-
Japan	(Y)	109.0050	-0.115	600 - 500	110.420	108.750	108.94	0.7	108.75	0.9	107.415	1.5	141.3
Malaysia	(M$)	2.7648	+0.0033	640 - 655	2.7855	2.7540	2.7583	2.6	2.7573	1.1	2.7798	-0.5	-
New Zealand	(NZ$)	1.7607	-0.0007	596 - 618	1.7616	1.7582	1.7623	-1.1	1.7668	-1.4	1.781	-1.2	-
Philippines	(Peso)	27.7000	-	000 - 000	27.9000	27.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0004	500 - 507	3.7507	3.7500	3.7528	-0.8	3.7572	-0.7	3.7759	-0.7	-
Singapore	(S$)	1.5932	+0.0007	927 - 937	1.5957	1.5927	1.5921	0.9	1.5899	0.6	1.6022	-0.6	-
S Africa (Com.)	(R)	3.4223	+0.0095	216 - 230	3.4265	3.4215	3.4383	-6.0	3.4683	-5.4	3.5758	-4.5	-
S Africa (Fin.)	(R)	4.4225	-0.015	175 - 275	4.4575	4.4050	4.4535	-8.4	4.5125	-8.1	-	-	-
South Korea	(Won)	808.050	-0.1	000 - 100	808.200	808.000	811.05	-4.5	814.55	-3.2	833.05	-3.1	-
Taiwan	(T$)	26.4200	-0.03	200 - 200	26.4400	26.4200	26.5225	-4.7	26.67	-3.6	-	-	-
Thailand	(Bt)	25.4500	+0.01	400 - 600	25.4700	25.4400	25.52	-3.3	25.66	-3.3	25.79	-1.4	-

†SDR rate for Jan 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. Morgan Guaranty Changes shown for Jan 28 . Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan.31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.88	16.50	4.864	1.938	4736	5.448	20.89	488.5	392.5	22.10	4.089	1.860	3.698	2.788	303.9	2.502
Denmark	(DKr)	52.97	10	8.742	2.576	1.027	2508	2.886	11.06	258.7	207.9	11.70	2.166	0.985	1.959	1.477	161.0	1.325
France	(FFr)	60.59	11.44	10	2.947	1.174	2869	3.301	12.66	296.0	237.6	13.39	2.477	1.127	2.241	1.689	184.2	1.516
Germany	(DM)	20.56	3.881	3.393	1	0.398	973.8	1.120	4.294	100.4	80.69	4.543	0.841	0.382	0.760	0.573	62.48	0.514
Ireland	(I£)	51.59	9.741	8.518	2.510	1	2443	2.811	10.76	252.0	202.5	11.40	2.109	0.960	1.906	1.439	156.8	1.291
Italy	(L)	2.112	0.399	0.349	0.103	0.041	100.	0.115	0.441	10.31	8.288	0.467	0.086	0.039	0.078	0.059	6.418	0.053
Netherlands	(Fl)	18.35	3.465	3.029	0.893	0.356	869.2	1	3.834	89.66	72.04	4.056	0.750	0.341	0.679	0.512	55.79	0.459
Norway	(NKr)	47.87	9.038	7.901	2.329	0.926	2267	2.606	10	233.6	187.9	10.58	1.957	0.890	1.770	1.335	145.5	1.196
Portugal	(Es)	20.47	3.865	3.379	0.996	0.397	969.5	1.116	4.276	100.	80.35	4.524	0.837	0.381	0.757	0.571	62.22	0.512
Spain	(Pta)	25.48	4.810	4.205	1.233	0.494	1207	1.388	5.322	124.5	100.	5.630	1.042	0.474	0.942	0.710	77.44	0.637
Sweden	(SKr)	45.25	8.544	7.469	2.201	0.877	2143	2.465	9.453	221.0	177.6	10	1.850	0.842	1.673	1.262	137.5	1.132
Switzerland	(SFr)	24.46	4.618	4.037	1.190	0.474	1158	1.333	5.109	119.5	96.00	5.405	1	0.455	0.904	0.682	74.34	0.612
UK	(£)	53.76	10.15	8.873	2.615	1.042	2546	2.929	11.23	262.6	211.0	11.88	2.198	1	1.988	1.499	163.4	1.345
Canada	(C$)	27.04	5.106	4.463	1.315	0.524	1281	1.473	5.649	132.1	106.1	5.976	1.106	0.503	1	0.754	82.19	0.677
US	($)	35.88	6.771	5.919	1.744	0.695	1698	1.954	7.492	175.2	140.8	7.925	1.466	0.667	1.326	1	109.0	0.897
Japan	(Y)	329.0	62.12	54.30	16.00	6.377	15581	17.93	68.73	1607	1291	72.71	13.45	6.120	12.17	9.174	1000.	8.231
Ecu		39.97	7.546	6.597	1.944	0.775	1893	2.178	8.349	195.2	156.9	8.833	1.634	0.743	1.478	1.114	121.5	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5711	0.5719	-0.0001	0.5729	0.5710	66,365	130,452
Jun	0.5690	0.5686	-0.0001	0.5690	0.5686	434	8,590
Sep	-	0.5662	-	-	0.5662	3	286

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9099	0.9170	+0.0075	0.9168	0.9091	46,609	80,582
Jun	0.9180	0.9187	+0.0068	0.9205	0.9180	465	6,547
Sep	-	0.9225	-	0.9225	-	4	631

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6786	0.6814	+0.0027	0.6825	0.6786	32,019	39,428
Jun	0.6818	0.6806	+0.0030	0.6818	0.6807	99	604
Sep	-	-	-	-	-	-	-

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4896	1.4952	+0.0040	1.4938	1.4890	26,158	48,837
Jun	1.4870	1.4890	+0.0050	1.4890	1.4870	80	1,456
Sep	-	1.4820	-	1.4820	[illegible]	[illegible]	[illegible]
Dec	-	1.4790	-	1.4790	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Jan 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. Ind.
Ireland	0.808628	0.776192	-0.00044	-4.01	6.15	27
Netherlands	2.19672	2.18012	+0.00242	-0.78	2.67	-
Belgium	40.2123	40.0702	-0.0673	-0.35	2.25	3
Germany	1.94964	1.94613	+0.00283	-0.18	2.07	-
France	6.53883	6.60648	+0.00197	1.07	0.82	-9
Denmark	7.43679	7.55111	+0.00381	1.54	0.35	-11
Portugal	192.854	195.898	+0.147	1.58	0.31	-11
Spain	154.250	157.195	-0.14	1.89	0.00	-13
NON ERM MEMBERS						
Greece	264.513	279.562	+0.353	5.69	-3.60	-
Italy	1793.19	1895.90	-2.28	5.73	-3.63	-
UK	0.786749	0.744823	-0.002402	-5.33	7.63	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.400	9.51	9.26	9.15	-	0.04	0.14
1.425	7.07	6.90	6.97	-	0.07	0.40
1.450	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD INTEREST RATES

MONEY RATES

January 31	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	5.25	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.20	-	7.78
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.20	-	7.75
Germany	6.50	6.05	5.85	5.85	5.35	6.75	5.75	6.00
week ago	5.96	6.05	5.80	5.60	5.30	6.75	5.75	6.00
Ireland	6	6	[illegible]	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	6	[illegible]	[illegible]	[illegible]	-	-	6.78
Italy	[illegible]	[illegible]	[illegible]	[illegible]	8	-	8.00	8.92
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.00	8.92
Netherlands	5.56	5.48	5.25	5.02	4.86	-	5.25	-
week ago	5.56	5.48	5.26	5.05	4.88	-	5.25	-
Switzerland	[illegible]	[illegible]	[illegible]	4	[illegible]	6.625	4.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	4.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	-
week ago	3	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	2	[illegible]	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	3.02	3.08	3.17	3.44	-	-	-
week ago	-	3.02	3.01	3.14	3.46	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.43	94.42	-0.01	94.46	[illegible]	[illegible]	[illegible]
Jun	94.88	94.89	-0.01	94.94	[illegible]	[illegible]	[illegible]
Sep	95.21	95.21	+0.01	95.24	[illegible]	[illegible]	[illegible]
Dec	95.37	95.38	+0.01	95.42	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.78	91.84	+0.05	91.85	[illegible]	[illegible]	[illegible]
Jun	92.43	92.44	+0.03	92.48	[illegible]	[illegible]	[illegible]
Sep	92.79	92.84	+0.05	92.84	[illegible]	[illegible]	[illegible]
Dec	93.05	93.09	+0.04	93.09	[illegible]	[illegible]	[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.11	96.11	-0.01	96.14	[illegible]	[illegible]	[illegible]
Jun	96.41	96.43	-	96.44	[illegible]	[illegible]	[illegible]
Sep	96.56	96.57	-	96.58	[illegible]	[illegible]	[illegible]
Dec		96.57	-0.01		[illegible]	[illegible]	[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.97	93.97	+0.01	94.00	[illegible]	[illegible]	[illegible]
Jun	94.48	94.52	+0.03	94.54	[illegible]	[illegible]	[illegible]
Sep	94.87	94.88	+0.03	94.90	[illegible]	[illegible]	[illegible]
Dec	95.14	95.18	+0.01	95.18	[illegible]	[illegible]	[illegible]

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.66	96.65	-0.01	96.67	[illegible]	[illegible]	[illegible]
Jun	96.38	96.38	-0.01	96.39	[illegible]	[illegible]	[illegible]
Sep	96.09	96.08	-0.01	96.09	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jan 31	Over night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 5½ per cent from November 23, 1993

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	94.93	94.90	-0.03	94.95	94.87	13933	114816
Sep	94.94	94.93	-0.02	94.96	94.90	4530	57576
Dec	94.90	94.89	-0.01	94.92	94.88	6507	70686

Traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9450	0.23	0.45	0.54	0.04	0.05	0.11
9475	0.07	0.25	0.35	0.13	0.10	0.17
9500	0.01	0.12	0.21	0.32	0.22	0.28

Est. vol. total, Calls 3275 Puts 436. Previous day's open int., Calls 147871 Puts 136099

BASE LENDING RATES

	%
Adam & Company	5.5
Allied Trust Bank	5.5
AIB Bank	5.5
●Henry Ansbacher	5.5
Bank of Baroda	5.5
Banco Bilbao Vizcaya	5.5
Bank of Cyprus	5.5
Bank of Ireland	5.5
Bank of India	5.5
Bank of Scotland	5.5
Barclays Bank	5.5
Brit Bk of Mid East	5.5
●Brown Shipley	5.5
CL Bank Nederland	5.5
Citibank NA	5.5
City Merchants Bank	5.5
Clydesdale Bank	5.5
The Co-operative Bank	5.5
Coutts & Co	5.5
Credit Lyonnais	5.5
Cyprus Popular Bank	5.5
Duncan Lawrie	5.5
Exeter Bank Limited	6.5
Financial & Gen Bank	6
●Robert Fleming & Co	5.5
Girobank	5.5
●Guinness Mahon	5.5
Habib Bank AG Zurich	5.5
●Hambros Bank	5.5
Heritable & Gen Inv Bk.	5.5
●Hill Samuel	5.5
C. Hoare & Co	5.5
Hongkong & Shanghai.	5.5
Julian Hodge Bank	5.5
●Leopold Joseph & Sons	5.5
Lloyds Bank	5.5
Meghraj Bank Ltd	5.5
Midland Bank	5.5
* Mount Banking	6
NatWestminster	5.5
●Rea Brothers	5.5
* Roxburghe Bank Ltd is no longer authorised as a banking institution.	6
Royal Bk of Scotland	5.5
●Smith & Williamson Secs.	5.5
Standard Chartered	5.5
TSB	5.5
●United Bk of Kuwait	5.5
Unity Trust Bank Plc	5.5
Western Trust	5.5
Whiteaway Laidlaw	6.5
Wimbledon & Sth West.	6.5
Yorkshire Bank	5.5

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

MONTHLY AVERAGES OF STOCK INDICES

	January	December	November	October
■ FT-SE Actuaries Indices				
100 Index	3431.3	3313.7	3111.9	3125.1
Mid 250	3982.7	3662.1	3456.2	3493.1
350 Share	1727.1	1649.5	1560.7	1559.8
Non-Financials	1818.87	1733.10	1643.34	1653.67
Financial Group	2618.71	1300.30	1192.41	1202.11
All-Share	1710.30	1626.68	1535.11	1544.81
Eurotrack 100	1464.84	1423.55	1349.68	1339.43
Eurotrack 200	1559.83	1496.00	1414.20	1412.29
■ FT Indices				
Government Securities	106.50	106.56	103.12	102.80
Fixed Interest	132.32	130.14	123.87	124.22
Ordinary	2620.1	2492.5	2357.9	2363.6
Gold Mines	248.7	245.3	236.5	210.2
SEAQ Bargains	40,838	33,916	29,057	32,100

	Highest Jan close	Lowest Jan close
FT-SE 100	3491.9 (31st)	3360.0 (13th)
FT-SE Mid 250	4148.9 (19th)	3799.4 (4th)
FT-SE A 350	1760.6 (19th)	1689.4 (13th)
FT-SE-A All-Share	1745.95 (31st)	1671.92 (5th)
Ordinary	2677.2 (31st)	2546.2 (5th)

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 31 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jan 31 / Frs.)

[illegible]

DENMARK (Jan 31 / Kr)

[illegible]

FINLAND (Jan 31 / Mks)

[illegible]

FRANCE (Jan 31 / Frs.)

[illegible]

GERMANY (Jan 31 / Dm.)

[illegible]

ITALY (Jan 31 / Lire)

[illegible]

NETHERLANDS (Jan 31 / Fls.)

[illegible]

NORWAY (Jan 31 / Kroner)

[illegible]

SPAIN (Jan 31 / Pts.)

[illegible]

SWEDEN (Jan 31 / Kronor)

[illegible]

SWITZERLAND (Jan 31 / Frs.)

[illegible]

PACIFIC

JAPAN (Jan 31 / Yen)

[illegible]

HONG KONG (Jan 31 / H.K.$)

[illegible]

MALAYSIA (Jan 31 / MYR)

[illegible]

SINGAPORE (Jan 31 / S$)

[illegible]

AUSTRALIA (Jan 31 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jan 31 / Can $)

4 pm close

[illegible]

MONTREAL (Jan 31 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jan 31 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex All.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, January 31, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	23.5m	359	+30	Fujitsu	12.1m	1,020	+105
Kawasaki Steel	19.0m	381	+41	Nomura Sec	11.9m	2,320	+250
Oki Electric	14.9m	660	+82	NKK Corp	11.3m	260	+21
NEC	13.2m	1,070	+104	Furukawa Elec	9.8m	704	+99
Mitsubishi Hvy	12.1m	711	+45	Itochu	9.5m	666	+59

INDICES

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jan	2325.0	2335.4	+26.4	2341.0	2320.0	23,980	12,846
Feb	2337.5	2345.0	+22.5	2351.0	2334.0	18,799	25,792
Mar	2349.5	2357.0	+22.5	2361.0	2347.5	1,698	44,017
Jun	2347.0	2352.5	+22.5	2347.0	2347.0	50	2,315

Open interest figures for previous day.

... Korea Comp Ex 946.11. Base values of all indices are 100 except Australia All Ordinary and ... MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & ... HEX Gen. ... JSE 20 Industrials - 264.3; NYSE All Common - 00 and Standard and Poor's - 10. §§ ... Gold - 255.7 ... Unavailable. ‡ IBIS/DAX after-hours index: Jan 31 - 2192.60 +35.98.

US INDICES

[illegible]

Standard and Poors

	Jan 28	Jan 27	Jan 26	1993/94 High	1993/94 Low	Since compilation High	Since compilation Low
Composite ‡	478.70	477.05	473.20	478.70 (28/1/94)	429.05 (8/1/93)	478.70 (28/1/94)	4.40 (1/6/32)
Industrials	555.08	553.44	550.36	555.88 (28/1/94)	498.48 (28/4/93)	555.08 (28/1/94)	3.62 (21/6/32)
Financial	46.10	45.70	45.12	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	265.42	264.38	262.26	265.42 (28/1/94)	236.21 (8/1/93)	265.42 (28/1/94)	4.46 (25/4/42)
Amex Mkt Val	483.22	481.88	481.74	484.81 (20/1/94)	395.84 (8/1/93)	484.81 (20/1/94)	29.31 (9/12/72)
NASDAQ Cmp	798.53	792.88	788.81	798.53 (28/1/94)	645.87 (26/4/93)	798.53 (28/1/94)	54.87 (31/10/72)

■ RATIOS

	Jan 28	Jan 21	Jan 14	Year ago
Dow Jones Ind. Div. Yield	2.57	2.58	2.62	3.13
	Jan 26	Jan 19	Jan 12	Year ago
S & P Ind. Div. yield	2.35	2.34	2.36	2.51
S & P Ind. P/E ratio	27.99	28.13	28.07	26.96

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	478.60	479.90	+1.20	480.40	478.60	46,948	164,347
Jun	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Cont Bank	4,812,400	34½	+6¾
Daimler-Benz	4,606,900	47	+¼
Telefonos	3,945,500	72⅛	+⅛
Wal-Mart	3,343,300	26½	+½
BankAmerica	3,338,500	45⅝	-⅝
Sci Atlantic	2,916,700	27¾	-4
Citicorp	2,685,900	43⅛	+1¼
Merck	2,650,400	36	+¼
Sunshine Min	2,463,800	2⅝	+⅛
US Surgical	2,453,800	31¼	+1½

■ TRADING ACTIVITY

● Volume (million)

	Jan 28	Jan 27	Jan 26
New York SE	312.036	346.292	304.647
Amex	21.636	19.119	17.541
NASDAQ	(u)	314.491	316.495
NYSE			
Issues Traded	2,738	2,735	2,740
Rises	1,302	1,317	1,185
Falls	763	768	875
Unchanged	671	650	680
New Highs	151	100	62
New Lows	10	18	29

† Correction. ' Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close January 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close January 31

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
93½	68⅞	Xerox	3.00	3.1	38	11627	u98¼	95½	98⅛	+5½
55½	51½	Xerox4.125	4.12	7.8		12	52¾	52⅝	52⅝	-⅞
53	31¼	Xtra Corp	0.56	1.1	22	623	49¼	47⅞	48⅞	+⅝
29¼	19½	Yankee Egy	1.18	4.9	14	71	24⅛	23¾	24⅛	+⅛
1⅝	¾	Zapata			17	1384	1⅞	1¼	1¼	
10½	5⅞	ZenithEl			3	802	8	7⅞	7⅞	
29¼	19⅝	Zenith Nat	1.00	4.4	10	12	22⅝	22½	22⅝	+⅛
8	6½	Zenix Inc	0.82	10.5		72	7¾	7⅝	7¾	
16⅝	12⅝	Zero	0.40	2.8	17	22	14⅛	14⅛	14⅛	+⅛
40¾	25⅛	Zurn Ind	0.88	3.1	92	95	28⅞	29½	28⅝	+¼
13⅞	12⅝	Zweig Fund	1.24	9.1		145	13¾	13⅝	13⅝	-⅛
18⅞	8⅞	Zweig Totl	0.96	9.0		724	10¾	10⅝	10⅝	-⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1 1993.
Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close January 31

NASDAQ NATIONAL MARKET

4 pm close January 31

AMERICA

Mr Greenspan helps lift Dow to new heights

Wall Street

US stocks again surged into record territory yesterday morning after reassuring remarks on inflation by the chairman of the Fedsral Reserve Board, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 34.33 ahead at 3,979.76, well above Friday's all-time high closing of 3,945.43. The more broadly based Standard & Poor's 500 kept pace with the bellwether index, adding 3.59 to 482.29. In the secondary markst, the American SE composite climbed 1.37 to 484.59 while the Nasdaq composite, up 3.12 to 799.65, was flirting with the 800 mark for the first time.

Volume on the NYSE was heavy, with 182m shares traded by 1 pm.

Stocks had several developments working in their favour. The powerful advance staged by the Nikkel index overnight, amid optimism over the progress of Japanese political reform, set an upbeat tone for the session's opening.

The positive sentiment was reinforced by Mr Alan Greenspan, the Fed chairman, who told a Congressional committee that the central bank was committed to stamping out inflationary pressures in the economy.

The vigilant tone of his remarks brought firmer prices to longer-dated US Treasury bonds, whicb are particularly sensitive to inflation. By midday, the 30-year benchmark bond was ¾ ahead at 100¹¹⁄₃₂.

In another favourable development, tbs world's leading aluminium-producing countries announced a deal to cut global production. The agreement gave a big lift to the share prices of US suppliers of the basic metal.

Alcoa, a component of the Dow industrial index, surged $3¼ to $79½, a new 52-week high for the stock. Reynolds climbed $2⅝ tn $53⅞, Alcan $1¼ to $24⅝ and Phelps Dodge $1⅝ to $54⅞.

The market received at least one piece of unwelcome news. The Purchasing Management Association of Chicago revealed a modest downturn in its January index nf economic activity, which may be a preview of today's national survey. In spite of the indication of a slowdown, stocks closely linksd to broad economic trends continued to gather strength. Caterpillar was $1⅞ higher at $105, a 52-week high.

Fourtb-quarter results released hy Xerox impressed investors. With revenues generated by the company's core processing activities somewhat better than expected, the stock was marked up $5 to $97⅝, well above its previous 52-week high mark of $93½.

Mexican stocks achieved new highs for the third consecutive trading day, the IPC index climbing 40.59, or 1.5 per cent, to 2,783.79 by midsession. The market had early help from Telmex on positive earnings expectatinns and a US hroker's npgrade, bnt mlnlng issues took over later, showing a gain of 5 per cent.

Canada

Toronto mirrored New York, supported by a rally in banks and base metals. The TSE 300 composite index rose 44.28 to 4,536.49 in volume of 43m shares.

Base metals, driven higher by Alcan Aluminium, led the advance. The sub-index rose by 100.66 or 2.7 per cent to 3,799.92 as Alcan jumped C$1⅞ to a 52-week high of C$32¼.

SOUTH AFRICA

Shares closed generally firmer, helped by strong performances from eqnity markets worldwide. The golds index was up 32 at 1,937, the industrial index 33 at 5,536 and the overall index 29 at 4,754. Anglos put on R2.55 at R193.55.

EUROPE

BMW in the lead as automotive stocks climb

A gond day for several car stocks took in the Rover/BMW deal, bullishness in Francs after weekend measures to boost consumptinn, specific hopes for Fiat in 1994 and a new high in Volvo, *writes Our Markets Staff.*

FRANKFURT, excited by interest rate hopes and the BMW/Rover deal, saw the Dax index rise 43.98 to 2,177.45 on the session and threaten 2,200 in tbe post hourse, closing another 15.15 higher at 2,192.60.

In financials, Allianz rose DM72 to DM2,829 on talk of US huying and, in a generally lucrative banking sector, Bayernverein emerged from its rights issue complications with a rise of DM23.50, or 4.5 per cent to DM546.

These gains were dwarfed hy BMW's DM56.50, or 8.3 per cent rise to DM739.50, with a further climb to DM748 after hours. Mr Horst-Kaspar Greven at Merck Finck in Düsseldorf said that BMW had paid a relatively keen price for a deal which nearly doubles its car production capacity.

Aluminium production cuts led to above-average markups in Degussa, DM16.80 higher at DM488.80, and Thyssen, DM7.40 better at DM261.90. Mr Greven said that the implications of the news had not been thought through and that Viag, with big productinn capacity in the metal, looked the prime beneficiary; Viag sbares rose DM10.50 to DM485.50.

PARIS swept through its previous record close as the market took heart from the governmsnt's annnuncement at the weekend of measures to boost tbe sconomy. The CAC-40 index closed 21.19 ahead at 2,334.36 as turnover hit FFr6.5bn.

Turnover in the market has been consistently high over January – avsraging about FFr5bn a day – driven largely by inflows of foreign money.

The car sector outperformed the market, helped by proposals outlined by Prims Minister Edouard Balladur on Sunday to assist new car sales. Peugeot, up FFr19 or 2 per cent to FFr874, also said that it would issue ADR's in the US.

MILAN continued to power ahead, in the lull after recent political storms. The Cnmit index rose 20.28 or 3.2 per cent to a third consecutive high of 662.11. Turnover swelled to a record L1,420bn: at one stage, screen hased trading was balted when tbe system became nverloaded.

Fiat surged L242 or 5.3 per cent to L4,843 as the market awaited the annual letter to shareholders from the chairman, Mr Giovanni Agnelli. UBS, an aggressive buyer, forecast that the group's competitive position was set to improve strongly, following the lira devaluation and the introduction of new models.

Sip, a recent undsrperformer, added L362 or 9.1 per cent to L4,353, helped by a gnvernment ruling that tbe winner of the country's second cellular telepbone licence would have to use Sip's ground-based network.

FT-SE Actuaries Share Indices

Jan 31								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1526.50	1528.73	1530.10	1531.90	1533.82	1537.87	1537.62	1540.19
FT-SE Eurotrack 200	1593.37	1596.14	1596.89	1598.47	1598.77	1602.75	1603.34	1604.26

	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24
FT-SE Eurotrack 100	1510.22	1495.68	1490.98	1485.10	1482.11
FT-SE Eurotrack 200	1578.86	1566.24	1562.49	1564.22	1568.02

Base value 1000 (26/10/90); High/day: 100 - 1540.19; 200 - 1604.39 Low/day: 100 - 1526.28 200 - 1593.37.

AMSTERDAM's AEX index closed 8.93 or 2 per cent higher at 438.71. A notable exception to the positive trend was Fokker, the aircraft manufacturer, which slippsd 80 cents to Fl 23.90 following the resignation of the chairman.

While the news was something of a surprise to the market, some analysts commented thet in the tong term it could benefit the troubled group as it wrestles with a rationalisation programme.

Among financials, ING added Fl 2.50 to Fl 60.80 as the insurer improved after a recent period of underperformance.

Some of the day's biggest gains were recorded by Elsevier, up Fl 5.80 at Fl 193.80 and Nedlloyd, Fl 4.50 higher at Fl 72.60. Polygram added Fl 2.50 to Fl 81.70 as it announced a new joint venture in the US.

ZURICH finished at a fifth consecutive all time high, amid strong demand for Nestlé and the banking sector which is expected to report sparkling results in the coming month. The SMI index added 37.7 or 1.2 psr cent to 3,178.4. Nestlé added SFr21 to SFr1,426 while among the banks, CS Holding rose SFr13 to SFr754.

Roche began quietly but the certificates later put on SFr40 to SFr7,140 after news that the US Food and Drug Administration had authorised third phase clinical trials of a new anti-Aids treatment.

MADRID hit anotber new high, the general index putting on 15.97 to 358.31 as it waited for Banesto to resume trading today. STOCKHOLM's domestic and foreign supporters took the Affärsvärlden General index 29.3 or 1.9 per cent higher to a new peak of 1,603.9. Volvo B shares rose SKr13 to SKr695 amid expectations of strong US sales in January.

ISTANBUL rose hy more than 8 per cent as investors were encouraged by reports that the capital markets board was to allow mutual funds, which keep at least 25 per cent of their portfolio in stocks, to trade on the stock exchange.

The composite index closed up 1,542.86 at 20,104.84 while turnover dipped to TL1,640bn after Friday's TL2,150bn.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei powers 7.8% ahead after reform agreement

Tokyo

Share prices soared on the passage of the political reform bills through parliament over the weekend, and the Nikkei average jumped 7.8 per cent, rising above 20,000 for ths first time in three months, *writes Emiko Terazono in Tokyo.*

The Nikkei rose 1,471.24, the third largest gain on record, to finish at the day's peak of 20,229.12. The index opened at the day's low of 18,790.78, with many shares failing to trade until the afternoon session because of a flood of buying orders from overseas and domestic investors.

The Topix index of all first section stocks advanced 101.40 to 1,629.22, its fifth biggest single day's rise. In London the ISE/Nikkei 50 index moved ahead 18.08 to 1,373.12 as strategists said that this year's rally had mucb further to go.

Investors were cheered by prospects of the imminent announcement of an economic stimulus package and an income tax cut now that the govsrnment has political reform out of the way. The announcement of a package of tax cuts and fiscal stimulus, estimated at around Y13,000bn is expected on Thursday.

Volume was 800m shares, against 237m, with foreign and domestic individual investors actively buying shares. Almost all listed issues posted gains, with 1,109 advances, three declines and seven unchanged.

A sharp fall in the bond market also supported sentiment, raising hopes that it would cause a shift in funds to equities. The yield on the No 157 10-year benchmark rose 5 basis points to 3.54 per cent, the highest since last November.

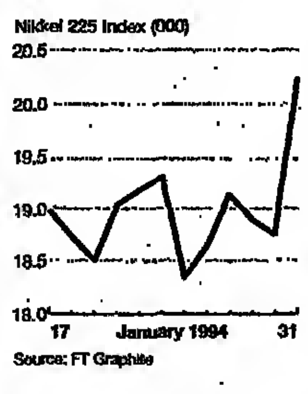
Some domestic and foreign hrokers believe that yesterday was a turning point for the market and the country's economy, but others have doubts. Many investors are still wary of corporate profit-taking ahead of the March book closing, and point out that buying by foreigners, who have been the main driving force for the market since the start of the year, has started to slow down.

"Economic fundamentals have not drastically changed," said Mr Jason James, strategist at James Capel, adding that he had not revised his year-end target of 23,000 for the Nikkei.

Nippon Telegraph and Telepbone gained by its day's limit of Y100,000 to Y978,000, while East Japan Railway climbed Y38,000 to Y516,000. Brokers were also supported, with Nomura adding Y250 at Y2,320.

In Osaka, the OSE average surged 1,255.67 to 21,864.83 in volume of 41.8m shares.

Japan



Source: FT Graphite

Roundup

The region did not emulate Tokyo, but its equity markets were mostly on the upgrade.

AUSTRALIA set a record high, helped mainly hy overseas news. The All Ordinaries index rose 50.9, or 2.25 per cent, to 2,310.8 in A$1.0bn turnover.

One dealer said the March share price index futures contract contributed to the surge, with the contract jumping 44 to 2,328.0 after an intraday high of 2,346.0.

Coles Myer appreciated 12 cents to A$5.47 after announcing a 2.9 per cent rise in half-year sales to A$8.16bn.

HONG KONG overcame some midsession selling, prompted by worries about tougher mortgage policies, to finish almost 1 per cent higher. The Hang Seng index added 109.19 at 11,487.02 in preliminary turnover down from HK$8.57bn to HK$6.28bn.

Hongkong and Sbanghai Banking and Hang Seng Bank said late on Friday that they would lower the amount of financing svailabls for mortgages and increase the lending rate for flats worth more than HK$5m. HSBC advanced HK$2 to HK$115 and its Hang Seng unit climhed HK$1.50 to HK$75.50 amid expectations of positive corporate results in the banking sector.

SINGAPORE continued to recover from the sharp losses experienced in tbe second week of January, on selective domestic and European institutional demand. The Straits Times Industrial index rose 39.03, or 1.7 per cent, to 2,339.10. KUALA LUMPUR closed higher, led by further institutional buying of selected blue chips. The composite index gained 16.93, or 1.6 per cent, at 1,106.99, but trading was subdued ahead of a market holiday today.

MANILA ended lower as investors sold heavily to cut losses, slthough the fall was cushioned by renewed interest in Manila Electric and its affiliates, whicb are expected to benefit from a fuel and electricity price rise. The composite index fell 54.94, or 1.9 per cent, to 2,874.56. Manila Electric "B" put on 15 pesos at 445 pesos.

KARACHI resumed its uptrend after a three-day correction, on support from local institutions and renewed jobbers' interest. The KSE 100 index rose 18.78 to 2,244.78.

SHANGHAI's "B" share index drifted back on a disappointing dehut hy Shanghai Shangling Electric Appliances, the first "B" share not to show a gain on its issue price on the first day of trading.

The "B" index fell 4.21 to 81.07 in volume of 15m shares. Shanghai Shangling opened at 78 US cents, hut closed at its issus price of 75 US cents.

NEW ZEALAND advanced 2.5 per cent, led hy a 6.5 per cent gain in Telecom, up 30 cents at NZ$4.90. The NZSE-40 index rose 59.64 to 2,397.92 in turnover of NZ$78m.

London signposts high hopes for Tokyo

By William Cochrane

Expectations and events have moved out of alignment in Japao, bnt recently international investors bave had a chance to get ahesd of tbe game.

For example, last Friday the London ISE/Nikkei 50 index of Japanese stocks rose 3.3 per cent after a drop on the week in Tokyo's domestic equity market. UK-based investnrs were ahle to move on news of the government's deal oo political reform, signposting the exceptional gains in Tokyo yesterday.

A week earlier the situation was reversed, Tokyo's Nikkei index taking a Monday fall of 4.9 per cent after a hullisb week in the domestic market was followed hy the rejection nf the government's refnrm hill in the upper hnuse. Again, London was able to signal the drop in Friday trading.

Last week, Mr Nichnlas Knight and Ms Allison Southey, Nnmura's global strategy team, told investors not to panic, saying the Monday fall had provided a "potentially brief" window of opportunity and that the Nikkei, a little nbove 18,000 at the time, could pusb through 24,000 in 1994. Yesterday, they put their target in a bracket between 24,000 – "and the 20 per cent possibility that tbe market might go straight to 28,000".

In Europe, tbe strategists last week were underweighting Germany, expecting that it would produce a positive capital return this year hnt that there would be more to go for elsewhere. Mr Oliver Kamm, James Capel's European strategist, liked France, Sweden and Spain in particular.

In the event, the European markets whicb moved most were Spain and Italy, the latter leading tbe Continental pack with a rise nf 5.9 per cent on the week. Merrill Lynch's latest European equity monitor picks ont two senior European bourses, Milan, in Italy, and Stockholm, in Sweden, which are expected to receive huge carnings boosts from devaluation in 1994 and 1995.

Italy's new alliance in the pnlitical centre has boosted market sentiment further, writes UBS Global Research, the vnlume nf trading hitting record highs, with the greatest interest in industrial stocks.

Spain set all-time peaks last week due to a number nf factors, says the Swiss group. The nnexpected cnt in the intervention rate, the strength of the peseta and further declines in bond yields contributed to the rally, but it was the excellent performance of hank shares that really pushed the market ahead in big turnover.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+0.55	+3.43	+48.47	+46.73	+38.03	+37.09
Belgium	+1.18	+1.86	+29.31	+35.22	+26.81	+25.93
Denmark	+1.34	+7.90	+41.05	+55.19	+45.98	+44.99
Finland	-0.13	+15.40	+119.05	+126.14	+114.60	+113.13
France	+3.17	+3.33	+35.78	+32.03	+24.93	+24.07
Germany	+2.56	-5.07	+34.77	+37.20	+29.53	+28.64
Ireland	-2.89	+7.21	+63.56	+68.43	+50.80	+49.78
Italy	+5.91	+5.09	+40.99	+52.62	+33.87	+32.95
Netherlands	-0.23	+2.67	+42.60	+44.19	+36.43	+35.49
Norway	+2.21	+10.87	+57.71	+57.25	+47.17	+46.16
Spain	+4.06	+8.14	+49.04	+81.23	+32.81	+31.90
Sweden	+0.81	+8.71	+62.18	+51.96	+36.63	+35.69
Switzerland	+3.21	+6.48	+53.42	+52.92	+54.71	+53.64
UK	-1.22	+1.69	+24.20	+23.79	+23.79	+22.94
EUROPE	+1.01	+2.34	+34.70	+35.30	+30.21	+29.32
Australia	+0.34	+3.45	+42.68	+39.84	+44.87	+43.86
Hong Kong	-0.88	-4.62	+101.72	+110.27	+112.20	+110.74
Japan	-2.79	+5.63	+18.17	+16.99	+34.78	+33.85
Malaysia	+2.19	-15.08	+100.27	+97.89	+88.72	+87.43
New Zealand	+2.71	+6.28	+59.85	+54.62	+71.95	+70.79
Singapore	+1.57	-7.19	+55.47	+56.79	+62.84	+61.53
Canada	-0.71	+3.48	+28.45	+26.53	+22.32	+21.48
USA	+0.96	+2.54	+8.64	+9.34	+10.10	+9.34
Mexico	+1.81	+4.14	+52.13	+50.22	+51.98	+50.92
South Africa	-1.28	-4.03	+46.04	+52.97	+68.52	+67.36
WORLD INDEX	-0.14	+2.80	+20.68	+20.89	+25.21	+24.36

† Based on December 28th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 28 1994								THURSDAY JANUARY 27 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	180.00	0.2	177.49	124.18	161.64	169.21	0.5	3.04	179.56	178.37	124.15	162.82	168.33	190.00	120.50	121.34
Austria (17)	192.14	1.1	189.45	132.53	172.54	172.25	0.1	0.93	190.01	188.74	131.41	172.28	172.03	192.14	138.23	140.83
Belgium (42)	167.78	0.9	165.43	115.73	150.66	147.71	0.1	3.89	166.28	165.16	115.00	150.77	147.63	167.78	138.95	141.87
Canada (107)	140.48	-0.3	138.52	96.90	126.15	134.72	0.7	2.49	140.80	139.96	97.45	127.76	133.80	145.31	113.54	114.05
Denmark (33)	269.85	0.6	266.07	186.13	242.31	246.50	-0.2	0.92	268.22	266.44	185.51	243.21	247.05	269.85	195.86	209.95
Finland (22)	148.36	1.2	146.29	102.33	133.22	172.79	-0.1	0.59	146.55	145.57	101.36	132.88	173.01	148.36	65.50	69.09
France (99)	182.61	2.1	180.05	125.95	163.97	168.40	1.4	2.76	178.91	177.73	123.74	162.22	166.15	182.61	142.90	147.23
Germany (59)	133.88	1.4	132.01	92.35	120.22	120.22	0.4	1.76	132.02	131.15	91.31	119.71	119.71	142.38	105.56	106.19
Hong Kong (56)	466.91	-0.6	460.39	322.06	419.28	463.04	-0.6	2.35	469.85	466.73	324.98	426.04	465.93	506.56	225.77	231.24
Ireland (14)	203.35	0.2	200.51	140.26	182.61	198.55	-0.2	2.80	203.01	201.67	140.41	184.08	199.04	207.53	129.29	142.66
Italy (68)	72.95	2.6	71.93	50.32	65.51	92.15	2.1	1.78	71.07	70.60	49.15	64.44	90.29	78.93	55.21	58.28
Japan (469)	140.58	-0.3	138.62	96.97	126.24	96.97	-0.5	0.84	140.98	140.04	97.50	127.83	97.50	165.91	104.52	104.52
Malaysia (69)	490.05	0.6	483.21	338.02	440.07	521.19	0.8	1.40	487.30	484.07	337.03	441.88	517.05	621.63	258.19	258.19
Mexico (18)	2487.01	1.3	2452.24	1715.44	2233.26	8444.36	1.2	0.60	2454.86	2438.54	1697.84	2225.90	8340.58	2487.01	1410.30	1640.34
Netherland (26)	205.13	1.7	202.27	141.49	184.21	181.22	0.9	2.93	201.63	200.29	139.48	182.83	179.64	205.13	153.16	156.12
New Zealand (14)	73.25	1.4	72.22	50.52	65.77	68.51	1.8	3.41	72.22	71.74	49.95	65.48	67.44	73.25	41.66	41.84
Norway (23)	201.28	1.3	198.48	138.83	180.74	203.32	0.6	1.25	198.64	197.32	137.38	180.11	202.21	201.28	138.48	140.56
Singapore (45)	344.63	1.4	339.82	237.71	309.48	252.91	1.0	1.63	340.00	337.74	235.15	308.30	250.45	378.92	213.57	215.67
South Africa (60)	247.88	-2.5	244.39	170.96	222.57	240.40	-1.7	2.38	254.40	252.71	175.95	230.67	244.52	260.26	159.33	161.58
Spain (42)	153.81	1.5	151.66	106.09	138.12	163.15	1.2	3.67	151.08	150.06	104.48	136.98	161.15	163.81	116.33	127.71
Sweden (36)	224.65	1.2	221.51	154.96	201.73	263.41	0.7	1.32	221.94	220.47	153.50	201.25	261.58	224.65	149.69	152.45
Switzerland (49)	173.63	2.2	171.20	119.76	155.91	157.00	1.3	1.39	169.93	168.80	117.53	154.08	154.93	173.63	109.14	112.98
United Kingdom (215)	211.90	1.1	208.94	146.16	190.29	208.94	0.4	3.45	209.50	208.10	144.89	189.96	208.10	213.29	162.00	172.08
USA (518)	194.74	0.4	192.02	134.32	174.87	194.74	0.4	2.69	194.03	192.74	134.20	175.93	194.03	194.74	176.29	179.25
EUROPE (744)	175.89	1.5	173.43	121.32	157.95	168.92	0.7	2.69	173.27	172.12	119.84	157.11	167.69	175.89	134.16	137.98
Nordic (113)	215.56	1.1	212.54	148.68	193.56	221.19	0.4	1.12	213.23	211.82	147.48	193.35	220.39	215.56	142.13	145.48
Pacific Basin (722)	153.51	-0.2	151.36	105.88	137.88	109.67	-0.4	1.12	153.85	152.83	106.41	139.90	110.15	168.80	109.26	109.32
Euro-Pacific (1466)	162.67	0.6	160.39	112.20	146.07	132.37	0.1	1.82	161.77	160.70	111.89	146.69	132.28	162.67	119.43	120.92
North America (625)	191.37	0.3	188.69	132.00	171.84	190.80	0.4	2.68	190.72	189.46	131.91	172.94	189.88	191.37	173.67	175.23
Europe Ex. UK (529)	153.31	1.8	151.17	105.75	137.67	145.38	0.9	2.20	150.57	149.67	104.21	136.62	144.01	153.31	115.10	117.39
Pacific Ex. Japan (253)	277.02	0.1	273.15	191.08	248.77	255.59	0.1	2.37	276.89	275.05	191.51	251.07	255.26	296.21	155.37	156.30
World Ex. US (1651)	164.57	0.5	162.27	113.51	147.78	135.65	0.1	1.83	163.79	162.69	113.27	148.50	135.53	164.57	120.63	122.06
World Ex. UK (1954)	169.95	0.4	167.57	117.23	152.61	148.86	0.2	2.00	169.34	165.22	117.12	153.55	148.60	169.95	137.15	137.40
World Ex. So. Af. (2109)	173.18	0.5	170.76	119.45	155.51	153.32	0.2	2.15	172.36	171.22	119.21	156.29	152.99	173.10	139.85	140.37
World Ex. Japan (1700)	192.64	0.7	189.95	132.88	172.99	185.31	0.5	2.63	191.29	190.02	132.30	173.45	187.44	192.64	159.44	160.67
The World Index (2169)	173.60	0.4	171.17	119.74	155.89	154.04	0.2	2.15	172.84	171.69	119.54	156.72	153.74	173.80	139.89	140.42

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Amendments to indices for January 28 applied to Germany, related regional indices and The World Index. Latest prices were unavailable for this edition.